



**EVOLVING  
FUNDAMENTALS**

**TURNING POSSIBILITY  
INTO REALITY**

Woori Bank is shaping the future of Korea's financial industry as a leading global bank that grows alongside customers in the global market through its continued innovation drive. In step with the rapidly changing market environment, Woori Bank is lowering boundaries within the financial sector to offer unprecedented and innovative financial services to our clients through cross-selling and bundled marketing. While anticipating customer needs ahead of time, we stay one step ahead in our constant efforts to turn possibility into reality. With the wings provided by our privatization, Woori Bank is now set to take the next step on its successful journey.

## EVOLVING FUNDAMENTALS - TURNING POSSIBILITY INTO REALITY

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## **In 2016, Woori Bank turned possibilities into reality**

The launch of our advanced mobile banking platform impressed customers and generated a positive response in the market. We then took the first steps into untapped global markets ahead of our competitors. These moves resulted in outstanding financial performance and improved fundamentals, bringing about our long-cherished wish for privatization.

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# Successful privatization gave us the wings to embrace a brighter future.

2016 was a historical year for everyone at Woori Bank because our persistent endeavors towards privatization finally paid off after 16 years of hard work. In 2017, we are all set to take the world by surprise once again with another round of innovation. We will continue striving to maximize value for our customers, shareholders and investors and raise corporate value by developing innovative products aimed at global markets.



# Privatization

## A Better Tomorrow, A Stronger Bank

 **EXPANSION OF FINANCIAL REACH**  
New growth engines

 **NEW PARADIGM**  
Innovation in marketing and corporate culture



**Woori Bank Video Clip**  
(In Korean)

 **GROWTH**  
Customer-base expansion

 **PROFITABILITY**  
Profit-oriented business activities

 **SOUNDNESS**  
Exhaustive backdoor-locking  
(adequate level of asset growth, increased quality loans, reduced bad assets, lower delinquency rate)



**Woori Bank Video Clip**  
(In other languages)  
English/Chinese/Russian/  
Bahasa Indonesia/Vietnamese

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Privatization

## Ready to create new value in 2017

Our concerted efforts have successfully generated the industry's best performance results in terms of profitability, soundness and growth, ultimately leading to our successful privatization. Just as we started out 2017 on a stronger note than ever before, we are now preparing for a new era for the bank.

### Privatization Initiative: Strengthening our Fundamentals

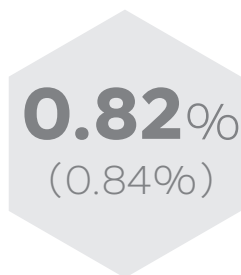
#### Improving profitability and growth

We have devoted our energy to enhancing our financial fundamentals over the past several years. As a result, we recorded a jump in earnings every quarter. In the third quarter of 2016, we posted KRW 1,105.9 billion in net income for the year to date, ensuring the high levels of profitability required for privatization. Furthermore, the substantial improvements in our loan asset portfolios, as well as asset size, significantly enhanced our profitability and growth.

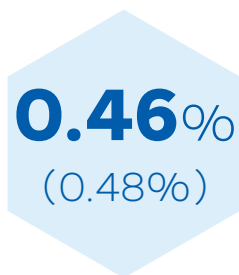
#### Asset quality improvement

In anticipation of the changing financial environment, we moved quickly in the field of risk management to stay ahead of the competition, which significantly enhanced our asset quality. This back-door-locking initiative and thorough risk management helped us reduce bad debts by KRW 1.2 trillion, paving the way for successful privatization.

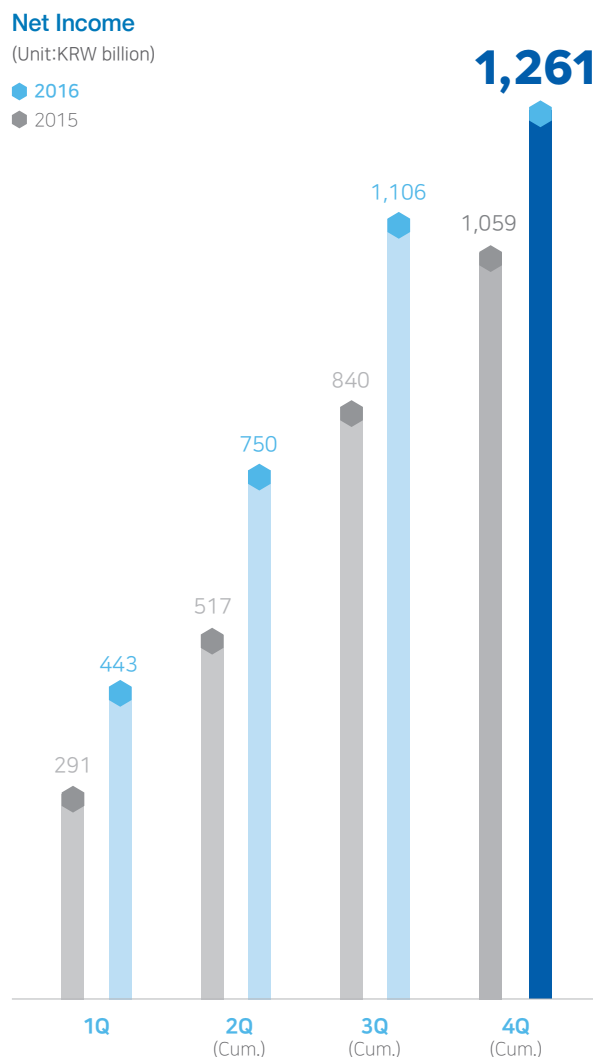
#### Delinquency Ratio BANK (BANK+CARD)



As of the end of 2015



As of the end of 2016



## Expected changes and benefits of privatization

### Majority Shareholder Ownership

The successful privatization made Woori Bank the first financial institution in Korea to have several major shareholders, setting the tone for new corporate governance in Korea's financial sector. The Korea Deposit Insurance Corporation (KDIC), which had held 51.06 percent of all shares in Woori Bank, sold off 29.69 percent of its shares in the bank to seven different investors: IMM PE (6.0%), Tongyang Life Insurance (4.0%), Hanwha Life Insurance (4.0%), Korea Investment Securities (4.0%), Kiwoom Securities (4.0%), Eugene Asset Management (4.0%) and Mirae Asset Global Investments (3.69%).

The seven major shareholders will keep each other in check and contribute their financial expertise in different financial business areas to generate greater synergies and help the firm achieve greater competitiveness as a commercial bank through shareholder-friendly policies.

### Termination of MOU between KDIC and Woori Bank

On December 16, 2016, the Public Funds Oversight Committee (PFOC) resolved to end the MOU(Memorandum of Understanding) between Korea Deposit Insurance Corporation and Woori Bank for business normalization, setting the bank free of governmental control to gain control over its business planning over the long term with higher levels of management efficiency and autonomy. Now, the bank can make market-oriented management decisions and bold investments in its future growth. Reduced inefficiency within the organization will also allow us to heighten competitiveness without intervention from the bank's largest shareholders. Now that its stock is no longer undervalued, the bank is poised to enhance corporate value.

### Shareholder Composition

**37.0%**

Minority Shareholders

**4.4%**

Employee Stock Ownership Association

**7.5%**

National Pension Service



(As of Jan. 31, 2017)

**21.4%**

Korea Deposit Insurance Corporation (KDIC)

**29.7%**

Major Shareholder Group

## Reorganization

Following its successful privatization, Woori Bank reshuffled its entire organization in February 2017 to lay the foundation for preemptive readiness in response to changing market environments and to position itself to grow into a stronger bank.



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EVOLVING FUNDAMENTALS - TURNING POSSIBILITY INTO REALITY

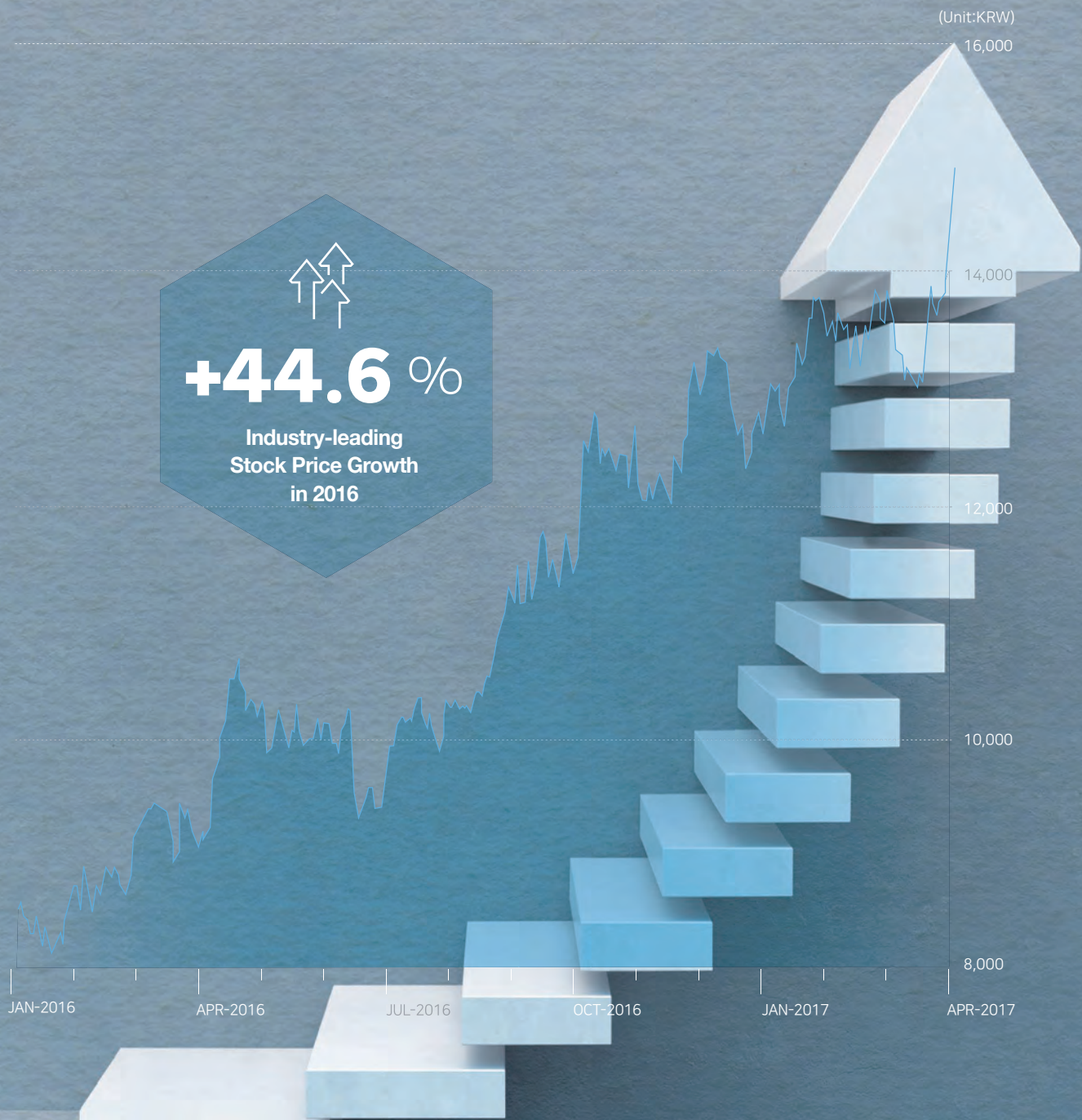
# Woori Bank continues improving corporate value through innovative marketing strategies and evolving fundamentals.

In 2016, Woori Bank achieved higher-than-expected net income as a result of its proven profit-guaranteed marketing strategies. Ensuring the back door stayed locked dramatically improved our NPL, delinquency and coverage ratios. Supported by the successful privatization of Woori Bank, we are now well on our way to becoming a leading financial institution through the constant expansion of our financial reach.



# Financial Highlights

## Stock Price Trends

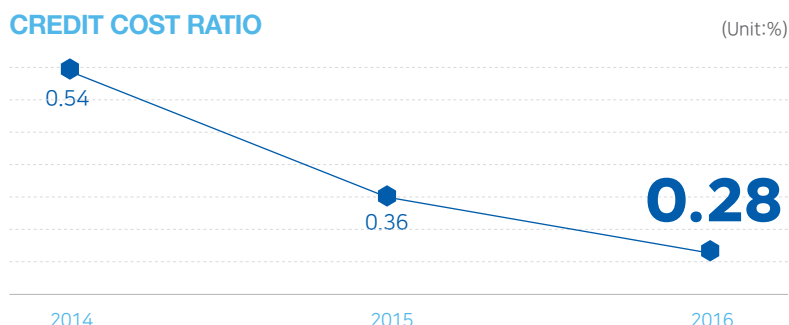
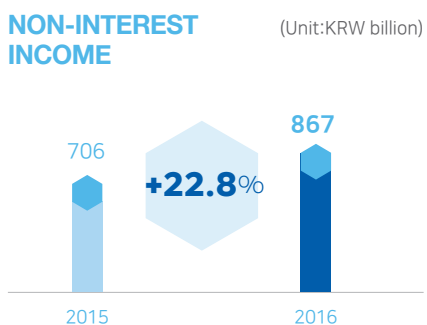
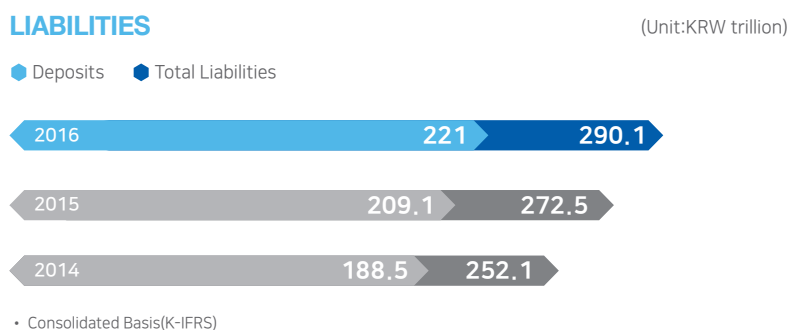
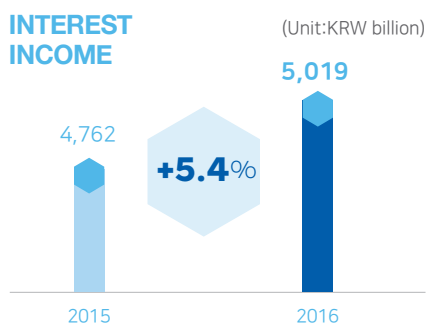
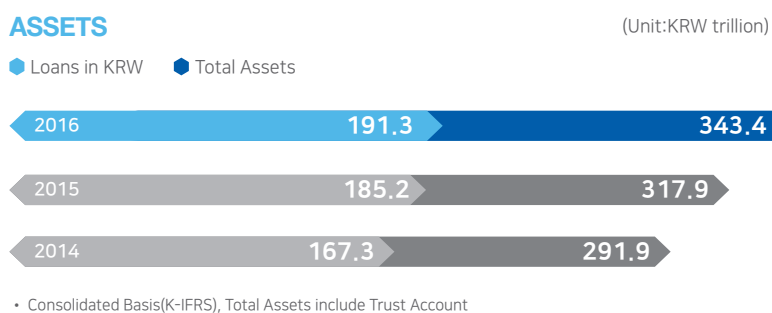
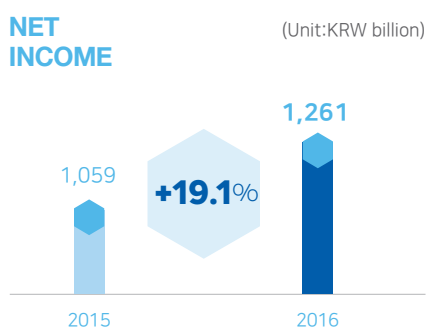


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EVOLVING FUNDAMENTALS - TURNING POSSIBILITY INTO REALITY

Financial Highlights

# Financial Highlights



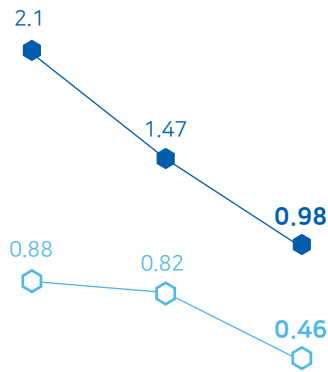
• Consolidated Basis (K-IFRS)  
Net Income(Continuing Operations) attributable to owners

• Adjusted Credit Ratio (Incl. net gains from the disposal of loans and others)

### ASSET QUALITY

(Unit:%)

● NPL Ratio 
 ○ Delinquency Ratio 
 ■ NPL Coverage Ratio

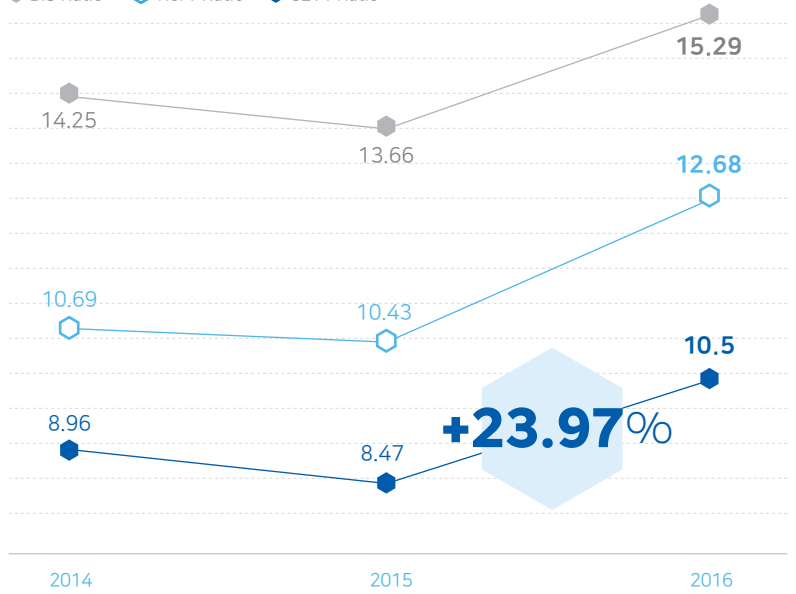


• Separate Basis(K-IFRS)

### CAPITAL ADEQUACY

(Unit:%)

● BIS Ratio 
 ○ Tier1 Ratio 
 ● CET1 Ratio

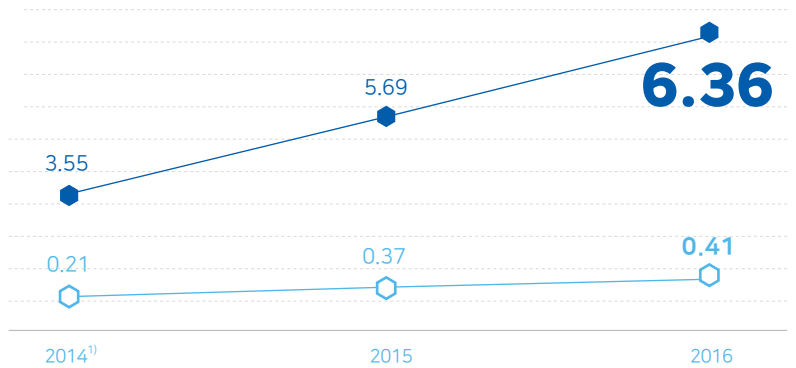


• Consolidated Basis (K-IFRS)

### PROFITABILITY (ROA & ROE)

(Unit:%)

● Return on Equity (ROE) 
 ○ Return on Asset(ROA)



• Consolidated Basis(K-IFRS)

Note 1) Excluding one-off factors related to the sale and the spin-off subsidiaries.  
(Including one-off factors ROA 0.41 ROE 7.06 in 2014)

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EVOLVING FUNDAMENTALS - TURNING POSSIBILITY INTO REALITY

# **Banking becomes more enjoyable and more convenient with the **WiBee Platform!** Creating a new paradigm for daily finance.**

Our blue bee mascot, WiBee, invites you to indulge in a joyful financial experience as you handle your daily finances. The WiBee Platform has removed barriers between lifestyle services and financial services, as it takes full advantage of Woori Bank's FinTech infrastructure to offer innovative financial services relating to marketing across different industries.

The WiBee Platform handily brings together mobile financial services, a mobile community service, mileage points and open markets to meet customer needs and stay one step ahead, while strengthening its services each and every day.



# WiBee Platform



## WIBEE BANK

Korea's first mobile-only banking service offering extensive financial services, from deposits and loans to foreign exchange and insurance



## WIBEE TALK

Strategically converging financial tips and messenger services, WiBee talk offers useful life & culture functionality, including access to magazines as well as foreign exchange and partial payment services for consumers



## WIBEE MEMBERS

A mileage point scheme based on 'Honey Money' can be used just like cash within the app.



## WIBEE MARKET

A mobile-based open market-type shopping mall that offers 1% cash back on all purchases via 'Honey Money'



Scan me! +

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## EVOLVING FUNDAMENTALS - TURNING POSSIBILITY INTO REALITY

### WiBee Platform

## The First Comprehensive Financial Platform in the Korean Financial Sector

Woori Bank's WiBee Platform is a total financial service platform that was created to provide optimal products and services that cater to the needs of customers as a proactive response to today's ever-more-complicated digital financial market environment. Launched in 2015, the WiBee service is quickly evolving into a smarter service.

### The Evolution of WiBee Bank

Launched in 2015, WiBee Bank successfully took the lead in the mid-range interest rate loan market when it became the first Korean bank to introduce 'WiBee Mobile Loan' in alliance with the Seoul Guarantee Insurance Company. Since then, we have also marketed loan products that utilize FinTech and big data to serve the lending needs of SOHO business owners. Drawing on the fast-growing financial technology business, WiBee Bank is able to deliver innovative product development and customer-oriented financial services.

### Launch of WiBee Talk

WiBee Talk is the first mobile-based messenger service from a Korean financial institution. The service provides convenient messaging functions including 'Instant Erase' and 'Message Retrieval' as well as a 'TalkTalk Money Wiring Service' that transfers remittances within five seconds. Additionally, it provides 20 types of lifestyle-related information sources, such as TalkTalk Magazine, WiBee Gourmet Restaurant, WiBee Fortune-telling service, and useful tips on applying for applying for housing subscription savings plans. In 2016, the service was expanded to the PC platform, thereby increasing accessibility and convenience for users.

### Launch of WiBee Members

WiBee Members is a customer-oriented open membership service that uses 'WiBee Honey Money'. This easy-to-subscribe to service considerably enhances customer access, while preferential benefits and a practical mileage point service allows for differentiated financial services tailored to each individual's lifestyle.

### Establishment of WiBee Market

WiBee Market is a mobile-based open market shopping mall run by Woori Card Company that supports Woori Bank's SME corporate clients to create a mutually-beneficial partnership. At the same time, it connects consumers with a generous mileage point policy that offers up to four percent cash back on purchases via WiBee Honey Money. WiBee Market is an innovative service that puts the customer before everything else and brings together financial services with an online market platform

### New Services in 2016

**WiBee Cam** This sticker photo camera app is exclusive to WiBee Talk, giving users the chance to easily produce animated GIF files, short videos and sticker photos for fun.

**WiBee Talk Translator** The WiBee Talk app also features a translation function in 10 languages, including English, Chinese, Japanese, Vietnamese and Russian, facilitating cross-border communication with people from around the world.

**WiBee Go Dutch Service** While competing money transfer apps are only accessible to individual app users, WiBee Talk allows non-app users to make remittances using their mobile phone numbers.

**WiBee Club** This is a community for WiBee Talk users, who can utilize not only WiBee Talk's powerful communication functions but also its commercial functions, which are linked to the WiBee Market service, offering a wide range of financial services.



## WiBee Statistics in 2016 (As of the end of 2016)

### WiBee Bank Sales Records



Loan products

KRW **295** billion



Deposit Products

KRW **462** billion

### Number of Customers



WiBee Talk subscribers

**3.02** million



WiBee Members subscribers

**3.04** million

### Global Service

Across **8** markets



Cambodia / Australia / Vietnam / Bangladesh  
India / Hong Kong / Japan / Brazil

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EVOLVING FUNDAMENTALS - TURNING POSSIBILITY INTO REALITY

# Woori Bank is well on its way to becoming a leading global bank.

As it moves beyond the Korean market, Woori Bank is making unprecedented strides into other markets around the world with confidence.

With 250 customer contact points worldwide—the largest overseas network in the Korean banking sector—Woori Bank is active in its efforts to enter global markets on its way to emerging as a leading global bank.

Going forward, we will reinforce customer-oriented service, expand our non-face-to-face sales network, and continue effective risk management to compete at the same level as the world's biggest banks.



# Global Resonance

## New Markets in 2016



### PHILIPPINES

Acquisition of a Thrift bank in the Philippines (Oct. 2016)



### IRAN

First Korean bank to enter Iran (May 2016)



### VIETNAM

Establishment of a subsidiary in Vietnam (Nov. 2016)



### INDIA

Preliminary approval for branches in Gurgaon and Mumbai, India (Oct. 2016)



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### Global Resonance

## Emerging as a Leading Global Bank

In 2016, Woori Bank successfully laid the foundation for its global expansion with an industry-leading global network and operating profit growth rate as well as the nation's fastest growing FinTech (WiBee) platform. With our hardware ready for international expansion, we are now focusing on increasing our content with higher product competitiveness on the global front. While introducing competitive products from our headquarters to overseas customers, we are seeking cross-industry strategic alliances to further enhance product competitiveness at our overseas branches.

### First Korean Bank to Enter Iran's Financial Market (May 2016)

Woori Bank became the first Korean commercial bank to enter Iran's financial market in May 2016. Our business alliance with Bank Pasargad—the second largest financial institution in Iran—will give us access to up-to-date developments in the local market and provide a foothold for Woori Bank to offer our financial services alongside a local partner. This will also constitute part of our ambitious Financial Belt initiative in the Middle East, complementing our branch offices in Dubai and Bahrain and help provide financial support to Korean companies that are, or will become, active in the region's markets.

### Acquisition of a Thrift bank in the Philippines (October 2016)

Our acquisition of Wealth Development Bank made us the first foreign bank to acquire a Filipino bank since the Southeast Asian country opened its financial markets to foreign entities. Following the acquisition, Wealth Development Bank turned into a joint venture between Woori Bank and the former owner, Vicsal Development Corporation, at a ratio of 51:49. Today, in close partnership with Vicsal, Woori Bank is ambitiously expanding its retail banking operations in the local market.

### Woori Bank Vietnam (November 2016)

Woori Bank won approval to operate a subsidiary in Vietnam from the State Bank of Vietnam in 2016. This adds to branch offices we have already established in Hanoi and Ho Chi Minh City, facilitating our plans to step up our retail marketing efforts in the local market.

### First Korean Bank with a Global Network of 250 Customer Contact Points (December 2016)

Woori Bank's aggressive global expansion initiatives have turned out to be a rousing success, with its overseas network surging to a total of 250 customer contact points as of 2016. This represents the greatest number of overseas customer contact points for any Korean commercial financial institution. Guided by the ambitious goal of becoming one of Asia's top 10—and the world's top 50—financial institutions in the near future, Woori Bank is constantly expanding its network of local subsidiaries in the U.S., Indonesia, Vietnam, the Philippines, Cambodia and Myanmar, while actively pursuing new subsidiaries in the EU (one subsidiary in Germany and a representative office in Poland) as well as in Mexico for Latin American markets.

# Growing Our Financial Services through a Global Network

With its 250 customer contact points internationally—the largest global network among Korean banks—Woori Bank is making its globalization push the core competency in its drive to become a leading global financial institution.

**250 Networks in 25 nations Worldwide**  
(As of the end of 2016)

**10**

Overseas subsidiaries

**19**

Overseas branches

**250**

Global networks





# Message from the CEO





## Let me begin by expressing my deepest gratitude to our shareholders and customers for their unwavering support of and commitment to Woori Bank.

Over the past year, we witnessed growing uncertainties in the global market, which suffered from prolonged economic recession and widespread protectionist trends, as evidenced by the Brexit vote and Trumponomics, as well as political instability in Korea, only adding to reduced domestic consumer spending.

Nevertheless, everyone at Woori Bank worked harder than ever to finalize the bank's privatization after a number of setbacks during the last round of talks, which ultimately took 16 years to conclude. The resultant rise in our corporate value will enable us to better serve our shareholders and customers as we move forward together.

We are particularly proud of our remarkable financial results from 2016, with all of our major indicators—profitability, fiscal soundness and growth—significantly improving.

Despite the challenging business environment amid a time of protracted low-interest rate policies, Woori Bank's profitability surpassed its previous year's net income just nine months into 2016 on the back of our exceptional marketing and sales performance results.

With this improvement to the bank's fiscal soundness indicators, such as our non-performing loan (NPL) ratio, bad debt expenses and coverage ratios—all three of which had served as a drag on performance for the past several years—Woori Bank is now poised to compete at the same level as other world-leading banks.

In addition, the impressive growth in total assets, recording a KRW 25.5 trillion rise from 2015 to reach KRW 343.4 trillion in 2016, also outpaced our competitors.

Woori Bank also topped the competition in terms of future growth drivers, which included advanced FinTech infrastructure and an unsurpassed global network.

Staying one step ahead of other domestic banks, we successfully introduced four breakthrough platforms—WiBee Bank, WiBee Talk, WiBee Members and WiBee Market—allowing us to play a leading role in the innovation of Korea's financial landscape.

On the global front, our strategic approach aimed at expanding our worldwide network through South and Southeast Asian markets with high growth potential substantially paid off in 2016. This was made especially evident after we launched a subsidiary in Vietnam in October and increased the number of our overseas networks to 250, giving Woori Bank the largest overseas presence among Korean banks. This also laid the groundwork for our ambitious goal of becoming one of Asia's top 10—and the world's top 50—financial institutions in the near future.

Our exceptional sales and marketing activities, as well as our strong commitment to the bank's privatization efforts, garnered positive responses from markets. In that regard, we owe a tremendous debt of gratitude to our shareholders and customers for their adamant support of our successful privatization over the past year.



However, we will not stand idly by and bask in the success of our privatization. Instead, we are starting out 2017 on a stronger note as we prepare for a new era for the bank, and will be pushing forward with the following five new growth engines in our attempt to extend our financial reach around the world.

First, we will outpace rival banks in terms of our competitiveness through new business models and a diversified profit portfolio. In doing so, we will closely communicate with major shareholders who hold a decisive stake in the bank to generate synergies for maximizing our profitability.

Second, with 2017 serving as the first year to redouble our asset management capabilities, we are determined to generate considerable results in bancassurance, funds, trusts, and Woori Bank's four major pension fund investments. At the same time, we will surge ahead in the market with customized portfolios and unrivaled customer yield-oriented sales activities.

Third, we plan on connecting our lifestyle platforms in the fields of retail, healthcare and education to our WiBee platform through numerous business alliances, while also developing better-than-ever products to stay ahead of our competitors with respect to maintaining an industry-leading financial platform.

Fourth, we will pursue quantitative and qualitative growth in a balanced way internationally. In tandem with our global network expansion, which is presently concentrated on emerging South and Southeast Asian markets, we will continue our profit-oriented business operations through localized marketing activities backed by our WiBee platform and credit card services, ensuring we remain Korea's undisputed leader in the global market.

Finally, we will strategically tap into our vast base of quality corporate clients to reinforce our investment banking operations and connect alliance partners that are already active on the WiBee Market to promote cross-industry convergence operations in pursuit of future growth drivers. Looking ahead to 2017, Woori Bank is taking bold, confident strides into a brighter future as a rising comprehensive financial service provider, one with 118 years of experience standing firmly behind it.

On behalf of everybody at Woori Bank, all of whom are doing their utmost to make the bank stronger than ever before under a united spirit of reinventing the organization anew, I humbly ask for your continued support as we draw closer to our goals.

I wish you and your family health and happiness.

Thank you.

President and CEO of Woori Bank

**Lee Kwang Goo**





# Board of Directors & Management



## Standing Directors

### Lee, Kwang Goo

#### President & Chief Executive Officer

- 50th 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 Officer, 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

### Oh, Jung Sik

#### Standing Audit Committee Member / Director

- CEO, KB Capital
- Vice President, Commercial Business Division, Citibank
- Managing Director, Risk & Planning Group, Citibank
- B.A. in International Economics, Seoul National University

## Outside Directors

### Ro, Sung Tae

- President, Hanwha Economic Research Institute
- President, Korea Economic Research Institute
- Ph.D. in Economics, Harvard University
- B.A. in Economics, Seoul National University

### Shin, Sang Hoon

- President & CEO, Shinhan Financial Group
- President, Shinhan Bank
- MBA, Yonsei University
- B.A. in Business Administration, Sungkyunkwan University

### Park, Sang Yong

- Honorary Professor, Yonsei University
- Civilian Chair, Public Fund Oversight Committee
- Dean, School of Business, Yonsei University
- Ph.D. in Business Administration, New York University
- B.A. in Business Administration, Yonsei University

### Tian, Zhiping

- Vice Managing Director, Beijing FUPU DAOHE Investment Management Ltd.
- Managing Director and Director of ICBC (London) plc. and ICBC's Middle East Division
- Managing Director, Sichuan Sub-branch, Industrial and Commercial Bank of China (ICBC)
- MBA, Southwestern University of Finance and Economics
- IMBA, University of Hong Kong
- B.A. in Economics & Governmental Administration, Shanxi University of Finance & Economics

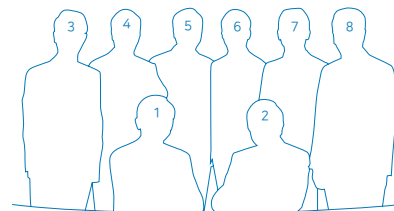
### Chang, Dong Woo

- CEO, IMM Investment
- Chief Partner, IMM Investment
- LLB, Hanyang University

## Non-Standing Director

### Choi, Kwang Woo

- Head, Office of Public Relations, Korea Deposit Insurance Corporation
- Head, Office of Fund Operations and Investment, Korea Deposit Insurance Corporation
- Head, Office of Customer Value Management Support, Korea Deposit Insurance Corporation
- M.A. in Business Administration, Korea University
- B.A. in Business Administration, Korea University



1. Lee, Kwang Goo
2. Ro, Sung Tae
3. Oh, Jung Sik
4. Shin, Sang Hoon
5. Park, Sang Yong
6. Tian, Zhiping
7. Chang, Dong Woo
8. Choi, Kwang Woo

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## Executive Vice Presidents

### Head, Business Unit

#### Nam, Ki Myung

Domestic Business Unit  
(Head, Retail Banking Business Group)

#### Sohn, Tae Seung

Global Business Unit  
(Head, Global Business Group)

#### Jeong, Won Jai

Business Support Unit  
(Head, Human Resources Group)

### Head, Business Group

#### Jang, An Ho

Corporate Banking Business Group

#### Cho, Woon Haeng

Institutional Banking Business Group

#### Kim, Hong Hee

Real Estate Finance Business Group

#### Kwon, Kwang Seok

Investment Banking Business Group

#### Cho, Jae Hyun

Smart Banking Business Group

#### Choi, Jung Hoon

Risk Management Group

#### Kim, Sun Kyu

Credit Support Group

#### Shin, Hyun Seok

Management & Finance Planning Group

### Compliance Officer

Park, Seong Il

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## Managing Directors

#### Lee, Dong Yeun

Small & Medium Corporate Banking Business  
Group

#### Cheong, Chai Pong

Wealth Management Group

#### Lee, Chang Jae

Pension & Trust Business Group

#### Kim, Yeong Bae

International Trade Business Division

#### Lee, Jong In

Financial Market Business Group

#### Hong, Hyun Poong

Next Generation ICT System Building Division

#### Cho, Gyu Song

Operation & Support Group

#### Heo, Jeong Jin

Information Security Division

#### Ha, Tae Joong

Corporate Restructuring Division

#### Lee, Won Duk

Future Strategy Division

#### Kim, Jeong Ki

External Relations Division

#### Lee, Dae Jin

Audit Department

# Corporate Governance

As of the end of March 2017, Woori Bank's Board of Directors (BOD) consisted of eight executive directors: two standing directors, and one non-standing director and five outside directors who were appointed to increase the relevant expertise and independence of the BOD. The five 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 of them are also well-known public figures. In their respective capacities, they support and monitor Woori Bank's strategic decision-making process and overall business affairs on a regular basis.



## 2016 in Review

The BOD held 17 meetings in 2016 to discuss a total of 60 pending issues and 44 briefings which all required decisions to be made.

Directors from a variety of fields collected information through internal and external activities, and then offered real-world advice by utilizing their expertise to contribute significantly to improving management.

As experts in economics, business administration, accounting and law, directors contribute their expertise and information gathered from years of experience in the field to enhance the management efficiency of the bank and increase shareholder value.

During regular quarterly meetings in 2016, the BOD was informed of quarterly business results, reviewed current issues, and deliberated on the bank's management plans. Major agenda items of discussion included comprehensive briefings regarding major loans; briefings on NPLs; progress reviews and reports on review results concerning the implementation of orders handed down by the BOD; and a rundown of activities at all the committees that fall under the BOD. At the December meeting, the Board of Directors also held in-depth discussions about major issues facing Woori Bank amid constant market changes, as well as giving final approval to the bank's 2017 draft management plan.

## Committees under the Board of Directors

※Three previously independent committees (i.e., Officer Candidate Recommendation Committee, Outside Director Candidate Recommendation Committee, Audit Committee Member Recommendation Committee) were integrated into a single committee (The Officer Candidate Recommendation Committee) through an amendment to the Articles of Incorporation at the Extraordinary General Meeting of shareholders held on December 30, 2016.

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

### Board of Directors Management Committee

The Board of Directors Management Committee actively supports the activities of the BOD by studying and reviewing its overall function and operation, while also establishing and reviewing succession and training plans of the management team, including directors.

### Audit Committee

The Audit Committee establishes and executes internal audit plans, makes outcome evaluations, carries out follow-up measures, and provides improvement plans to evaluate and enhance the appropriateness of the internal control system and management performance measures.

### Risk Management Committee

The Risk Management Committee makes decisions about risk-related policies and strategies in response to changes in the financial environment. It meets at least once every quarter, or on an ad hoc basis, to deliberate on risk management strategies and policies, risk tolerance levels and exposure, allowing it to predict measure and monitor overall risks arising from the bank's management or transactions in a timely manner.

### Compensation Committee

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

### Officer Candidate Recommendation Committee

The Officer Candidate Recommendation Committee recommends candidates for the positions of President & CEO, outside directors, and members of the Audit Committee.

## 2017 Plans

In 2017, Woori Bank will make significant improvements to its management by discussing major agenda items at BOD meetings. The quarterly BOD meetings will continue to focus on agenda items such as carrying out an analysis of management performance results and reviewing the draft 2017 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 2017, Woori Bank will maintain its position as a reliable banking partner that excels and grows through transparent and efficient management innovation.

Type of Meeting	No. of Agenda Issues	No. of Briefings	Major Issues
Shareholders' Meeting, BOD and Corporate Governance	16	4	Holding the general shareholders' meeting, operating the BOD/Board of directors management committee, developing and implementing corporate governance issues and management plans/strategies (including set-up and revamp of business divisions)
Accounting/Financial Management	5	7	Approving and modifying the settlement of financial statements, reporting and planning financial records, providing briefings on results and actions for MOU reviews, planning for bonds issuances (including foreign currency bonds), and managing credit limits
Portfolio & Risk Management/ Investment/Audit & Inspection/ Gov. Regulation	2	15	Comprehensive briefings on major loans, briefing on the status of NPLs, audit & internal control issues
HR/Organizational Management	7	1	Carrying out performance evaluations/compensation reviews, appointing & dismissing employees (excluding BOD members), and addressing issues related to the Labor-Management Council
Others	30	17	
Total	60	44	



# Company Structure

## Privatization Project

The Public Fund Oversight Committee announced on August 22, 2016 a set of confirmed measures to privatize Woori Bank. According to the measures, the Committee decided to sell a controlling stake in the bank, held by the Korea Deposit Insurance Corp. (KDIC). With a 51 percent stake in the bank, the KDIC put a 30 percent stake of the bank (59 percent of KDIC's total ownership) up for sale to a number of different investors, splitting the shares into 4 to 8 percent chunks in open price bidding.

The KDIC's public notification of the bid on August 24 kicked off the bank's privatization procedure. Letters of Intent(LOI) were received as of September 23, 2016. A total of 18 investors submitted their letters of intent at levels ranging from 82 to 119 percent of shares in total.

Of the eight investor bidding proposals totaling 33.7 percent received by November 11, 2016, the Public Fund Oversight Committee selected 7 successful bidders two days later, on November 13, concluding a sale amounting to a 29.7 percent stake in the bank.

In a bid to secure greater private-oriented autonomous management following Woori Bank's successful privatization, the Committee drew from the effectiveness of the MOU for a business normalization plan that had been signed between KDIC and Woori Bank on December 16, 2016.

As a result, the bank now has an improved ownership structure, with an increased number of major shareholders to discuss and approve business plans.

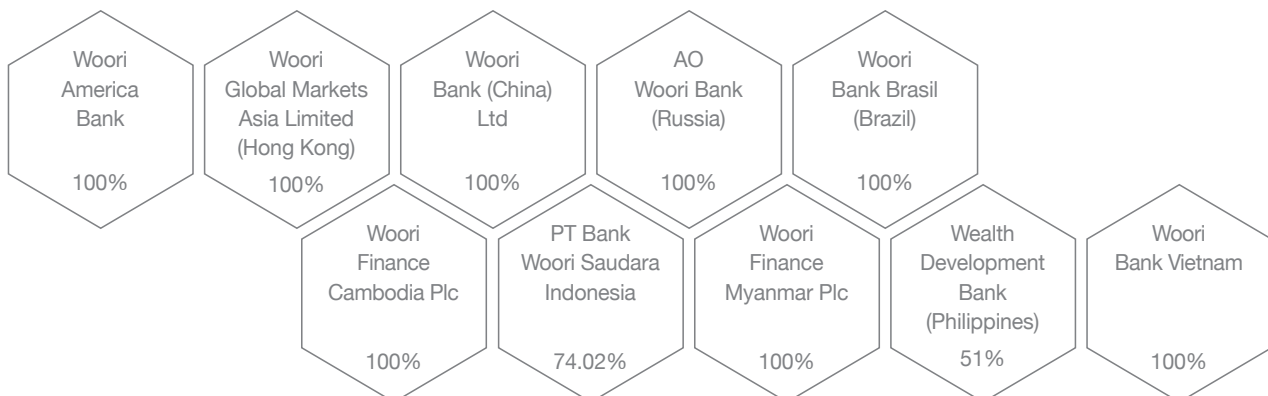
Meanwhile, the government is planning to sell its remaining stake (21.37%), still held by the KDIC, through close consultation with the Public Fund Oversight Committee. This will be done in view of the upside gains of the bank's privatization and from the perspective of retrieving public fund investment returns.

## Present Status of Woori Bank's Subsidiaries

### Domestic



### International



# News Highlights

## Successful Conclusion to 16-year Privatization

After a number of challenges over the last 16 years, Woori Bank finally succeeded in its privatization plan. The Financial Services Commission divided and then sold the 29.7 percent stake held by the Korea Deposit Insurance Corporation in Woori Bank to seven investors, including Korea Investment & Securities, on December 1, 2016. This success can be credited to the concerted effort made by everyone at Woori Bank towards strengthening the bank's profitability and financial soundness.

In fact, net income grew from KRW 400 billion in 2014 to surpass the KRW 1 trillion mark in 2015, with net income surpassing KRW 1,126.1 billion for 2016. Financial soundness, a long-time barrier to the bank's substantial growth, was also significantly enhanced through heightened risk management with a focus on locking the back-door. The improved quality of our loan portfolio also contributed to record high levels of asset quality since the 2008 global financial crisis.

President & CEO Lee Kwang-goo devoted himself to promoting the bank's value to overseas investors through

overseas investor relations events in Europe, the U.S. and Japan on three separate occasions. Through a concerted effort by Woori Bank's employees to enhance profitability, soundness and growth, the bank was able to post industry-leading performance results in 2016, which in turn led to its successful privatization.

Woori Bank is highly optimistic about the synergies that can be generated from collaborating with major shareholders— institutional investors with expertise in securities, insurance and asset management—as it maintains its position as Korea's leading bank



## Life Platform WiBee! WiBee Talk and WiBee Members Subscribers Each Exceed 3 Million!

The number of subscribers to both Woori Bank's WiBee Talk and WiBee Members surpassed three million each by the end of December 2016. As the first mobile messenger service launched by a Korean financial institution, WiBee Talk saw its subscription base exceed three million people in its first year. In addition, we secured three million subscribers to our mobile-based total membership service WiBee Members only five months after it was launched in July 2016. In October of the same year, the subscription procedures for all WiBee Platform services were integrated into a single process within WiBee Talk, giving members easy access to other WiBee platforms like WiBee Members and WiBee Market, all in promotion of the WiBee Platform.

Furthermore, WiBee Talk's user-friendly services include the Talk Talk Money Transfer Service, which makes remittances as easy as typing in your PIN number, the WiBee Talk Go Dutch Remittance Service, which allows a user to wire money on the messenger platform without opening the banking platform, and WiBee Club, a social network-like mobile community.

WiBee Members is an integrated privilege program for customers of Woori Bank and Woori Card, offering WiBee Honey Money at the exchange rate of KRW 1 for 1 Honey Money in cash-back benefits pegged to customers' financial transaction records, and which can also be withdrawn from an ATM.. This benefit has re-

ceived a very positive response from customers. In fact, we offer our customers Honey Money mileage points in proportion to their product subscriptions and transaction records with Woori Bank and Woori Card. For instance, prime customers of Woori Bank are rewarded with 3,000 Honey Money every quarter, while two percent of every purchase with their WiBee Members Card is put aside in the form of WiBee Honey Money mileage points. In addition to financial benefits, the WiBee Members program offers many benefits through a number of partnerships with financial and non-financial businesses as a "life platform."

With more than three million subscribers to both WiBee Talk and WiBee Members, Woori Bank continues to reinforce connections with WiBee Bank and WiBee Market, asserting itself as a leading Korean bank with an innovative total financial platform.



## WiBee (Former Woori Hansae) Basketball Team Wins the Championship Four Consecutive Years in the Women's Korean Basketball League

Woori Bank's Hansae basketball team defeated KEB Hana Bank's team in the third round of the league final's deciding game to win the 2015/2016 Women's Korean Basketball League (WKBL) championship on March 20, 2016. This marked the fourth championship win for Woori Bank's women's basketball team. Woori Bank's Hansae basketball team is the number one organization in the league. It has finished atop the standings in the regular season a record nine times and has won the league championship eight times since the launch of the WKBL in 1988.

On March 29, 2016, the team was renamed WiBee. On the same day, they released a new emblem and mascot at their new home, the Yisunsin Arena, moving from Chuncheon to Asan. Opened in July 2012, Asan's state-of-the-art Yisunsin Arena can accommodate 3,200 fans.

The WiBee basketball team was still the undisputed leader at the beginning of the 2016/2017 season. It

opened with a seven-game winning streak on March 8, 2017, and became the first team to win 20 games in the 2016/2017 season, suffering just one loss during an impressive run. Backed by the full support of all Woori Bank employees, the WiBee basketball team is aiming to make greater achievements than ever before under the excellent leadership of Coach Wi Seong-woo.



## Preemptive Prevention of Insolvency through Back-door Locking Schemes

(Moneual, On Corporation,  
Digitech Systems, Leaders' City)



Since his inauguration, Woori Bank has been guided by its CEO's commitment to locking the back door to enhance financial soundness.

As a result, the bank has strengthened its risk management and steered clear of large-scale insolvencies, which has significantly improved its financial soundness.

One case in point was the notorious Moneual scandal, which involved more than KRW 3 trillion in loan scams and resulted in a KRW 670 billion loss to the Korean banking sector. While most Korean banks extended loans based only on paperwork that the company submitted, and which turned out to be falsified export bonds, Woori Bank had reasonable doubts about Moneual's excessively high sales growth and carried out due diligence before extending additional loans. Despite the fact that Woori Bank was Moneual's main creditor, the bank made the prudent decision to retrieve the entire amount it had lent Moneual (KRW 85 billion) after an exhaustive loan review and study of risk management results. Later, this timely move ended up saving Woori Bank from massive losses.

Another notable case had to do with On Corporation's default on KRW 170 billion in loans. As with Moneual, Woori Bank also doubted On Corporation's sales inflation and excessively high operating profit, recalling the entire loan it had granted to On Corporation (KRW 2.5 billion). More importantly, it was able to save itself from potential risk exposure worth more than KRW 10 billion. Yet another important case was Digitech Systems, which paid brokers so that it could take out a total of

KRW 80 billion in illegal loans from Korean banks.

This was a prime example of where Woori Bank's follow-up checks on loans proved critical. Although Woori Bank had already established financial ties to the parent company, NP-Tech, we were among the first financial institutions to realize corporate raiders' engagement in the management board at Digitech Systems, and ultimately turned down the company's request for new loans worth KRW 5 billion, only to later recall the entire existing loan (KRW 10 billion). Finally, with the most recent financial scandal, which revolved around LCT (Leaders' City), Woori Bank turned down the borrower's request for KRW 200 billion in project financing and KRW 500 billion in collective installment loans.

Through air-tight back-door locking procedures, Woori Bank was able to reduce its bad debts by KRW 1.2 trillion, with the bad debt ratio decreasing by 0.6 percentage points, from 1.65 percent to 1.05 percent, in 2016, thus significantly enhancing asset quality.



## Woori Bank around the World: Global Expansion



In 2016, Woori Bank concentrated on solidifying its stance as a leading global bank. In fact, it was the first commercial bank in Korea to open a branch outside the country, which it did in Tokyo in November 1968. Since then, the bank has consistently worked to expand into overseas markets.

As a result of this tenacity, and upon acquiring Indonesia's Saudara Bank, we became the first Korean financial institution to acquire a bank listed on a market outside of Korea in 2014. In 2015, we also became the first Korean bank to open a 200th branch office overseas. In an effort to grow our network in the South and Southeast Asian markets in 2016, regions where we see high growth potential, we successfully launched a local subsidiary in Vietnam and acquired a thrift bank in the Philippines, Wealth Development Bank, while also acquiring preliminary approval for branch offices in Gurgaon and Mumbai, India, completing Korea's largest global network of 250 contact points in 25 countries.

In these new markets, we are poised to step up our sales activities as we continue to expand our local subsidiary networks in the U.S., China, Indonesia, Cambodia and Myanmar. On top of quantitative growth, we are quickly adopting localization strategies to enter local credit card markets as we ensure qualitative growth through retail sales activities such as bancassurance and credit loans for full-time workers.

Furthermore, to strengthen our sales competencies in EU markets, Woori Bank is planning to open a local subsidiary in Germany and a representative office in Poland. We are also keen to enter the Mexican market, where many Korean companies have already established a presence.

Based on these aggressive overseas expansion strategies, we aim to raise the percentage of income from global operations up to 30 percent by 2020, while achieving our greater vision of becoming one of Asia's Top 10—and one of the world's Top 50—financial institutions over the long term.

## South Korean Bank of the Year 2016 : The Banker



Woori Bank was named Bank of the Year 2016 in South Korea by The Banker, a UK-based financial magazine that selects the top banks from countries around the world based on data submitted by 120 international banks every year.

This is the first time in five years that Woori Bank won the award. The Banker is a monthly magazine that has been published by the Financial Times since 1926 and is considered the world's preeminent publication of its kind, with 29,000 institutional and 90,000 individual subscribers from 180 countries around the world.

The Banker singled out Woori Bank for its significant improvements in its financial performance in view of profitability and asset soundness, as well as the indus-

try's first launch of advanced mobile platforms such as WiBee Bank and the mobile messenger WiBee Talk, both of which rely on the strengths of its innovative FinTech know-how.

The UK magazine also recognized Woori Bank's aggressive international expansion efforts and localization strategies that allowed for a timely advance into South and Southeast Asian markets with high growth potential, including Indonesia, Myanmar, Cambodia, the Philippines and Vietnam. This award will provide Woori Bank an opportunity to better publicize its improved business results, its advanced management strategies and marketing competitiveness so as to further strengthen its position in the global financial world.

# Woori Bank Awards 2016



<b>The Banker</b>	Bank of the Year for 2016 in South Korea
<b>World Finance</b>	World Finance Wealth Management Awards 2016 (The first bank in Korea to win the award)
<b>The Asian Banker</b>	Best Transaction Bank in South Korea
<b>The Asian Banker</b>	Best Cash Management Bank in South Korea (4 Consecutive years)
<b>LACP</b>	Platinum winner at the LACP's 2015 Vision Awards' Annual Report Competition
<b>The Maeil Business Daily</b>	Grand Prize at the 21st Mail Business Daily Financial Product Awards
<b>The Korea Economic Daily</b>	Grand Prize at the Korea Best Banker Awards
<b>The Korea Economic Daily</b>	Best HR at the 1st Retirement Planning Service Awards
<b>The Korea Economic Daily</b>	Grand Prize at the 2016 Korea Top Brand Awards
<b>The Korea Economic Daily</b>	Hall of Fame in the Financial Sector at the Customer Satisfaction Management Awards
<b>Asia Today</b>	Top prize in the mobile financial category at the 2016 Asia Today Financial Awards
<b>Infobank</b>	Best Bank at the Infobank Awards 2016
<b>Korea's Financial Services Commission</b>	Korean Presidential Commendation for Merits in Financial Reform at Korea's 1st Finance Day awards ceremony
<b>Korea's Financial Supervisory Service</b>	Best performer for one-company/one-academic financial education practice evaluation
<b>Ministry of Strategy and Finance</b>	2016 Ministerial commendation from the Ministry of Strategy and Finance for excellent performance in establishing a Won-Yuan market
<b>Ministry of Health and Welfare</b>	Ministerial commendation at the 2016 Korea Sharing Awards
<b>Ministry of Land, Infrastructure and Transportation</b>	Korean Presidential Commendation for Merits in Housing Welfare
<b>Joong-Ang Daily &amp; Korean Association for Research of Industrial Security</b>	Grand Prize at the 1st Korea Industrial Security Awards 2016
<b>Ministry of Trade, Industry and Energy</b>	Ministerial Prize for Excellent Security Management in 2016



**EXPLORING  
OPPORTUNITIES**



A nighttime photograph of a city skyline with several illuminated skyscrapers. The sky is dark, and the buildings are lit up with various colors, including warm oranges and yellows. There are some lens flare effects in the image.

Who is discovering new value?

# DISCOVERING NEW VALUE



**EXPLORING**  
OPPORTUNITIES





In meeting the needs of an ever-changing financial world, Woori Bank creates connections between finance and markets to explore new opportunities. In today's financial market environment, which involves exposure to a variety of risks, we carry out constant research on ways to reduce risks and maximize value and benefits for our shareholders and customers.

**WOORI BANK**

**DISCOVERING  
NEW VALUE**

# Risk Management

Risk management has become essential in strengthening the competitiveness of financial institutions. Based on know-how accumulated through past crises, Woori Bank adopted risk-adjusted performance measurement (RAPM) in 2002, the first time this had been done in the Korean banking sector, to firmly 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 status as a leading bank through the implementation of top-tier risk management.



## 2016 in Review

To ensure the successful privatization of the bank in the face of a fluctuating financial environment, Woori Bank's Risk Management group set proactive risk management as its goal to emerge as a world-leading financial group. It then concentrated on improving asset soundness to strengthen the fundamentals of the bank.

Our particular focus was on taking preemptive measures targeting high-risk assets to reduce credit risks—the biggest risk factor in banking operations—by de-qualifying high-risk borrowers. As a result, asset quality has significantly improved.

In addition, our non-performing loans (NPL) ratio (excluding exposure to Korea's four major shipbuilders) improved from 1.24 percent at the end of 2015 to 0.91 percent a year after, while the nominal delinquency ratio declined from 0.82 percent in 2015 to 0.46 percent at the end of 2016. Our quality asset percentage also increased from 69.5 percent in 2015 to 75.5 percent at the end of 2016.

With a restructured operational risk management system and improved stress test program in place, Woori Bank saw considerable improvements in areas other than credit risks in 2016, thereby enhancing the bank's overall risk management capability.

### High net worth assets of BBB<sup>0 1)</sup> and above

(Unit:KRW)

	As of the end of 2015	As of the end of 2016	Changes
Balance	59.8 trillion	62.9 trillion	Up 3.1 trillion
Percentage	69.5%	75.5%	+6%p

Note 1) BBB<sup>0</sup> : Standard targets for calculation of BRR



High-net-worth-assets  
of BBB<sup>0.1</sup> and above

**75.5%**

As of the end of 2016

+6%p

**69.5%**

As of the end of 2015

Note 1) BBB<sup>0</sup> : Standard targets for  
calculation of BRR

### Preemptive Action on Problem Loans

In 2016, Korea's record-high household loan volume and growing number of marginal borrowers in the wake of worsening corporate profits called for intensive asset quality control by banks.

For its part, Woori Bank concentrated its efforts on controlling problem loans by taking preemptive steps to target potential problem loans. The first step it took was tightening its mortgage loan criteria to prevent insolvencies of household loans at source while also establishing a process to look more closely into borrowers' ability to repay debts, which ultimately helped the bank abstain from extending new credit to high-risk borrowers.

As with corporate borrowers, exposure to industries with growing risks, such as shipbuilding, construction and shipping, shrank by KRW 3.3 trillion over the previous year—the largest decrease among Korean banks.

At the same time, we addressed our corporate accounting fraud monitoring system, which strengthened our ability to verify corporate accounting fraud and insolvency. We also bolstered our review process of problematic borrowers by discovering blind spots in loan reviews through an established system for constant monitoring of marginal companies and reviewing of affiliates.

### Risk Management

We spent much of 2016 improving our risk management system as well as our credit risk management system. To begin, we restructured our operational risk management system, which provided for higher convenience and efficiency in our management of operational risks. In addition, the department's special mascot was used to make our operational risk management more accessible and convenient, thereby boosting operational risk management effects at the branch office level. Plus, risk management tips and countermeasures differentially applicable by risk type and/or a branch office's specific needs helped raise employee understanding and awareness of operational risk management. The improved stress test system also refined our stress test analysis capabilities, with the resultant stress test findings reflected in developing risk management strategies and business plans for 2017.

Furthermore, our risk management scope and coverage also expanded in tandem with the growing size of our overseas branch network. In an effort to avoid any concentration of capital at risk (CaR) exposure, we distributed the Group's total CaR to subsidiaries with asset sizes exceeding KRW 1 trillion in China, Indonesia and the U.S., and concurrently verified the present status of risk management practices at overseas operations. Prior to any cross-border mergers and acquisitions, we scrutinized all risk factors associated with acquisition targets to minimize our own risks arising from global expansion.

## 2017 Plans

Woori Bank's Risk Management Group set as its main goal for 2017 upgrading its risk management system to make Woori Bank stronger than ever.

In addressing this aim, the first measure we are taking is to establish a default diagnosis system, which is essentially a big data-based risk management system. To prevent insolvency, we are also initializing an insolvency diagnosis dashboard that analyzes various structured and unstructured data, such as the client lists of borrowers, affiliates of borrowers, and news coverage so as to pre-emptively detect warning signs concerning insolvency prior to Woori Bank extending any loans.

In meeting the recent growth in the volume and value of non-face-to-face (NFTF) transactions through advanced financial technology, or FinTech, we are developing an exclusive NFTF channel credit rating model to cater to the needs of NFTF clients, while also working on a process to pinpoint our highest performing clients.

Our efforts to remain fully prepared for risk-related regulatory reforms will continue in 2017. While developing a standard approach measurement system to reinforce our market risk calculation methodology, we plan on significantly improving our asset-liability management (ALM) system in response to upcoming interest rate risk regula-

tions that are expected to be strengthened soon.

As part of our drive to bolster our credit risk management capabilities, we will update the loss given default (LGD) estimating system and retail credit rating model to reflect the latest data. In step with the expansion of our investment banking operations in pursuit of new growth engines, an IB asset monitoring system is also set to be completed in the first half of 2017.

Furthermore, in anticipation of the diversification of risk factors in tandem with our expansion into overseas markets, we will spare no effort in supporting our local subsidiaries to reinforce their risk management capabilities and localize their risk management systems.





# Retail Banking

The Retail Banking Business Group oversees marketing strategies for retail consumers, new market penetration, retail marketing organization management, and strategy-building for marketing channels for university and hospital clients. In our constant effort to develop new markets and manage customer relationships at the highest level, our prime concern remains providing customized products and services to our clients.



## 2016 in Review

In 2016, Woori Bank's commitment to developing innovative and differentiated financial products remained consistent with its retail client base, which now exceeds 21.6 million customers. The bank's signature programs for attracting new retail customers—Baby Project, School Project and Company Project—were further upgraded in 2016 to offer different financial products and services according to different life stages, from infants and students to workers, housewives and seniors. As a proactive response to the bank account switching system that went into effect in 2016, we concentrated on expanding the number of loyal

customers throughout the year. To that effect, we entered into new contracts for Prime Power Loans (PPL) with 35 corporate clients, thereby attracting new credit loans for high-yield customers. We also extended new loans based on Employee Stock Ownership Plans (ESOP) for corporate clients that carried out Initial Public Offerings (IPO).

Additionally, we continue to offer portable services for customers through our Tablet Branch Office Service, visiting customers at a time and place of their choice to ensure the highest levels of satisfaction.

**Total Loans  
of Retail Banking**  
(Unit:KRW trillion)



**Total Deposits  
of Retail Banking**  
(Unit:KRW trillion)





**Total Retail Banking Customers**

(Unit: million people)

**21.7**  
As of the end of 2016

+2.9%

**21.1**  
As of the end of 2015



**Launch of Charity Donation Tie-in Products**

In 2016, Woori Bank introduced a new product called Woori Care Plus Package, which is helping the bank attract new clients and increase transactions with existing clients, while also allowing them to donate to social causes. The bank offers a special preferential interest rate for subscribers to this deposit plan only when they agree to donate a portion of the additional interest upon maturity to one of two charities, Child Fund Korea or Good Neighbors Korea. The additional option of a donation beneficiary was well received by clients. In order to induce more clients to become loyal to Woori Bank, prime interest rates were also specially offered to new customers as well as to existing clients who expanded their transaction volume with the bank. As a result, the Woori Care Plus Package Deposit Plan secured KRW 187.3 billion in 2016 through 13,151 deposit accounts and KRW 82.9 billion through 29,398 installment deposit accounts, significantly increasing the number of high-performing clients.

**Comprehensive Financial Services through Branch in Branch (BIB) Operations**

Woori Bank has begun offering cutting-edge comprehensive financial services through branch in branch (BIB) operations since it signed a business alliance with Korea's No. 1 securities firm, Samsung Securities, in March 2015.

In 2016, four more BIB outlets opened outside of bank branches in addition to the existing three BIBs at Woori Bank branches and one at a Samsung Securities' branch. Providing more than just financial transaction services, BIB outlets also function as sales and services channels and therefore boost Woori Bank's status in dispensing advice and selling products.

In 2017, we will continue to develop new hybrid financial products in collaboration with Samsung Securities

and add new BIB outlets to develop synergy between the banking and securities brokerage business as well as marketing directed at individual high net worth clients.

**Channel Network Optimization for Higher Efficiency**

In coping with all the changes occurring in the financial market environment, Woori Bank is strategically proactive when moving into areas with new growth potential, such as Innovation Cities and industrial complexes, while integrating and relocating certain low-profit, overlapping and low-profile branches. In 2016, we added four new branch offices, integrated 66 branch offices and relocated 16 branch offices. As a result, the reinforced efficiency in branch network operation helped us improve profitability, with a total of 894 branch offices in operation as of the end of 2016.

Retail marketing capabilities were also reinforced with the introduction of the personalized branch service established in 2015 to improve the competitiveness of the sales organization through increased efficiency in channel operations. As a result, a dual track was set up in which financial centers focus on corporate clients while personalized branches channel their marketing resources towards retail customers.

At the same time, we streamlined teller windows from the previous four channels down to two—a General Product Sales & Service Team and a Total Banking Service & Advisory Team—in a bid to reinforce the efficiency of personnel management and strengthen employee competencies. The resultant surplus personnel were reassigned to outbound marketing campaigns, which led to heightened customer relationship management and greater marketing activities to attract new customers.

**2017 Plans**

In anticipation of fierce competition amid the prolonged low-growth and low-interest rate market environment in 2017, the Retail Banking Business Group will concentrate on expanding its customer base. In addition to business alliances with governmental agencies and certain lifestyle-related businesses, we are stepping up our marketing towards attracting new customers while also striving to turn inactive customers into active customers, especially among freshly employed graduates, housewives, sole proprietorships, foreign residents and retirees. On top of this, we will further expand our life-cycle marketing initiatives, which offer different products and services depending on one's stage in life, as we continue our event-oriented marketing

campaigns to preemptively respond to the expanded scope of the bank account switching initiative scheduled for 2017.

Furthermore, we plan on running a pilot program for a new channel strategy called Hub & Spoke to take full advantage of marketing synergies by matching regional headquarters with nearby branch offices and area-based joint sales activities.

By deploying external sales experts to operational data stores (ODS) introduced in 2016, as well as enhancing process efficiency, we will further expand our sales channels in 2017 while doing our best to attract new customers.



# Wealth Management

The Wealth Management (WM) Group is in charge of overseeing Private Banking (PB) services that target high net worth (HNW) clients. As of the end of 2016, the WM Group consisted of three departments—the Wealth Management Strategy Department, Wealth Management Business Department and Wealth Management Advisory Center—with 10 teams under their supervision. A total of 645 private bankers and financial assistants work together to provide Korea's best comprehensive asset management and consulting services to 166,076 HNW customers through an independent PB brand called Two Chairs and through 632 sales channels nationwide.



## 2016 in Review

In December 2016, Woori Bank reshuffled its WM business organization to reinforce its competitiveness and added a WM Business Department that was tasked with developing and marketing wealth management products. The existing WM Strategy Department also took on two new teams, the WM Platform Team, which will develop non-face-to-face (NFTF) wealth management platforms and a company-wide customer return management system, and a Future Planning Team that will offer clients customized retirement solutions depending on their life cycle stage. These additions definitively strengthened our client-oriented WM marketing capabilities.



In recognition of our outstanding strategies and accomplishments in wealth management, Woori Bank became the first Korean financial institution to be awarded a prize at the 2016 Wealth Management Awards, hosted by World Finance, a U.K.-based global finance magazine.

## WM Customer Base Expansion and Specialized Advisory Services

After classifying clients that have more than KRW 50 million but less than KRW 100 million in deposits as sub-HNW clients, Woori Bank then assigned asset managers (AM) to serve this customer segment exclusively in 2016.

The resultant expansion of the WM customer base and higher number of employees tasked with serving these sub-HNW clients increased the number of private banking (PB) clients (those with cash deposits of at least KRW 100 million) by more than twofold, reaching 22,000 people by the end of 2016.



Fund product sales  
increased in 2016

**KRW 2.1 trillion**

(The largest quantitative growth in the recorded by the industry in Korea)

### Recruiting and Training WM Experts

In 2016, the WM Group invested in recruiting and training WM experts in order to reinforce its WM competencies. As a result, 350 prospective PBs and FAs were hired and subsequently received intensive training to heighten their capabilities. In addition, the 645 existing PBs received step-by-step training courses tailored to their individual skillsets, while all employees received online training in WM every morning to generate interest in and broaden sales skills related to WM products.

### Sizeable Growth and Profitability in Funds & Bancassurance Sales

Sales of hybrid products through business alliances achieved sizeable growth and profitability in 2016. Fund product sales increased KRW 2.1 trillion from the previous year, the largest quantitative growth recorded by the industry in Korea. Continuing with its remarkable industry-leading sales record in bancassurance in 2015, our bancassurance sales and profitability robustly outperformed all Korean competitors yet again in 2016.

### Proven Capabilities in ISA Operations & Introduction of a New PEF Sales Approach

The Wrap-ISA (individual savings account) that we introduced in April 2016 topped all commercial banks in terms of aggregate returns and annualized performance for six months in a row. These remarkable results were all the more amazing considering that other Korean banks took advantage of their financial group structure through cross-selling with peer securities subsidiaries. Despite the disadvantages associated with developing competitive products without the support of a financial group structure, our stable performance results in asset management also allowed for industry-high returns.

Furthermore, we were the first Korean commercial bank to adopt a new private equity fund (PEF) sales model through seminars for customers where they could give us firsthand suggestions and feedback in the product planning stage. As a result of this innovative initiative, we sold approximately KRW 2 trillion in PEFs, the highest amount in the industry.

#### Total number of WM customers

(Unit: 1,000 people)



#### Total wealth management banking deposits

(Unit:KRW trillion)



### 2017 Plans

Woori Bank declared 2017 as the starting year for client-oriented wealth management services. To that end, we plan on solidifying our customer-oriented sales platform, especially with respect to systems, products, employee competencies, marketing and retirement planning.

To begin with, we are adopting technologies to develop a new customer-oriented total wealth management platform and customer management system. We also have a private equity fund planned in which clients and sales staff at the branch office level can make their voices heard in the product development stage. In a bid to meet the most exacting needs of customers, we will also introduce more hybrid products through enhanced collaboration with securities firms and insurance companies, while also bolstering our product competitiveness and global investment strategies through strategic alliances with outstanding investment advisors and leading global asset management companies.

To assist competency-building efforts among employees, we are planning to open an asset management-specialized corporate university called Woori Asset Management University (WAMU), which will offer systematic training programs to foster professional PB experts.

In terms of marketing, we are departing from traditional marketing methodologies and instead expanding our WM client base. At the same time, we are personalizing our WM channels through the use of outdoor sales (ODS) devices.

Additionally, we are seeking strategic alliances with service agencies that cater to senior citizens to reinforce our retirement pension plan sales as we also expand the scope of our financial/non-financial services required for retirement. We also plan on adding a retirement plan platform specifically for our senior clients to our NFTF channels so that we can offer one-on-one WM services on top of non-financial services.

# Pension & Trust Business

As the retirement pension market continues expanding, the Retirement Pension Business Department was launched in 2009 to support the efficient management of retirement resources for retail customers. From the initial stages of adopting a retirement pension system, the Pension & Trust Business Group provided differentiated customized services through comprehensive retirement pension consulting.

We lead Korea's retirement pension market by offering comprehensive financial services. This includes optimal customized products that suit our customers' investment tendencies through advanced processes and highly experienced investment specialists.



## 2016 in Review

In order to guarantee a stable retirement for people and also 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.

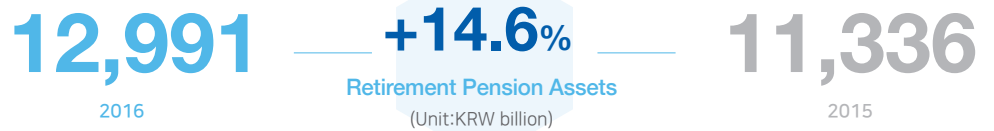
### Customer-focused Marketing Activities

Woori Bank provides subscribers (both companies and employees) with monthly newsletters on the latest trends and current issues concerning retirement pension funds, tips on asset management, and other useful information. These same subscribers can also access our new Happy Life Retirement Pension Life Deposit plan, which allows for the more convenient management and monitoring of individual pension fund investments.

More recently, we introduced a New Retirement Pension System that reflects the latest developments in the

pension market. Our service scope further improved with Welcome Letters for new subscribers and a Happy Call System that handles customer services. Additionally, our differentiated services include training programs for our subscribers to help them understand the operation of retirement pension funds.

As of the end of 2016, the retirement pension funds under our management increased by KRW 1,655.3 billion from the previous year, reaching KRW 12,991 billion, with the number of subscribers amounting to 1,391,492 employees from 55,640 companies. In 2016, we paid special attention to promoting an un-bundled service in which the Korean Workers' Compensation & Welfare Service serves as the operator and Woori Bank serves as the asset manager. By the end of 2016, 227,264 employees from 28,369 companies were subscribers to this service.



No. of Companies  
Subscribed to Woori's  
Retirement Pension Plan  
(Unit:Companies)



• Including companies subscribed to the Korean Workers' Compensation & Welfare Service

No. of Employees  
Subscribed to Woori's  
Retirement Pension Plan  
(Unit:People)



• Including employees of companies subscribed to the Korean Workers' Compensation & Welfare Service

## 2017 Plans

While Korea is transforming into a super-aged society, Woori Bank is actively carrying out marketing activities to secure a broad profit base and long-term customers by making retirement pension a key growth engine. This is being carried out by taking into consideration the importance of the retirement market for the banking sector. In order to strengthen our position as a leader in the pension business, the Retirement Pension Business Department will secure a foundation for growth in 2017 through customized marketing strategies targeting specific customer groups, while improving customer revenues through enhanced product investment capabilities. With a focus on improving the efficiency of our sales channels, the restructuring of our retirement pension system and adoption of Business Process Reengineering (BPR) will further enhance our business capabilities. In the future, we aim to lead the

retirement pension market by drawing on our highly experienced staff, our training support system, a wide variety of products, specialized management capabilities, and a differentiated retirement planning service platform.





# Corporate Banking

As of the end of 2016, Woori Bank had the largest number of corporate client transactions among all Korean banks. The Corporate Banking Business Group provides optimal financial services that cater to the specific needs of our diverse corporate clients, including some of the nation's biggest corporate groups like Samsung, LG and POSCO. Spearheading our corporate banking services at Woori Bank are the general managers that work at the Corporate Banking Headquarters. All of these men and women are well versed in corporate banking and serve as the engine behind the bank's impressive growth to emerge as Korea's leading corporate bank. At the same time, Corporate Banking general managers working at banking centers are in charge of corporate clients, their affiliates and partner companies as well as retail banking for the employees of these clients. We take tremendous pride in our 118 years of providing top-of-the-line financial services to our corporate clients as we helped them grow into major global players, and will strive to offer our expertise to an even larger number of customers in the future.



## 2016 in Review



Operating income  
(Unit:KRW billion)

# 704

(As of the end of 2016)

In 2016, the Corporate Banking Business Group maintained its No.1 market share in loans to main creditors, thereby reaffirming that we are the undisputed leader in corporate finance.

Woori Bank is currently exploring various financial opportunities through the Woori Diamond Club, a meeting of CEOs from large Korean corporations, while also strengthening the relationships we enjoy with large corporate clients. In response to growing demand for heightened corporate social responsibility, we are developing products that will facilitate mutual prosperity among corporate partners and increase widespread support for a cooperative culture.

As of the end of 2016, the Corporate Banking Business Group (including the Corporate Finance Center) recorded total assets of KRW 26.5 trillion, an operating income of KRW 704 billion, and an export/import financing volume of USD 243.6 billion.





### Total assets of corporate banking operations

(As of the end of 2016)

**KRW 26.5** trillion



### Total credit exposure to main debtor groups

(As of the end of 2016)

**KRW 26.7** trillion

## Continuously Strengthening Relationships

As our corporate customers have developed into more important global entities, their financial needs have changed rapidly and become more diverse. In line with this, Woori Bank has operated the Woori Diamond Club, a meeting of CEOs from large Korean corporations, since 2003. This year marks the 14th anniversary of the club and a time to strengthen our relationships with our corporate customers, as well as provide services that respond appropriately to changes in the business environment by identifying the financial needs of our customers in a timely manner.

## Extending Support for Large Corporations/SMEs

At a time when corporate social responsibility (CSR) is being particularly emphasized, Woori Bank has signed cooperation agreements with large corporate customers and offers product packages to extend funds to SMEs at low interest rates.

In 2008, we launched our 'Win-Win Partnership Loan for Suppliers of Large Corporations', which, by the end of 2016, had extended funds worth KRW 619.1 billion to 2,368 companies. In addition, the 'Win-Win Partner-

ship Loan' that was developed in 2013 received a system upgrade in 2015, with funds worth KRW 327.4 billion having been extended to 3,535 companies by the end of 2016. As a bank that has cultivated meaningful relationships with many large corporate customers, we operate a partnership system through a variety of customer networks aimed at reducing financial costs to SMEs, thereby contributing to the shared growth of both large corporations and SMEs.

## Developing and Supporting Customized Financial Products

In step with rising demand for low-risk/high-return investment products during a prolonged period of low interest rates, we provided a corporate-oriented Structured Hybrid Deposit product to corporate clients that want high-interest rate time deposits. In partnership with the Export-Import Bank of Korea, we also marketed export factoring without recourse for exporters, non-letter-of-credit sales of export receivable financing with reduced risk when the importer refuses settlement, and debt ratios on the financial statements of exporters, thus stabilizing cross-border transactions with efficient financial services for exporters.

### Woori Bank was the main creditor bank of 13 large corporations as of 2016.

(Total number of large corporations under main creditor bank management: 39)



## 2017 Plans

Guided by the business goal in 2017 of readying ourselves for a brighter future as an even more competitive corporate banking institution, the Corporate Banking Business Group is poised to carry out innovative marketing practices in the first year of privatization. To that end we have come up with the following four strategies.

First, we will explore new financial products and markets to diversify revenue sources while also engaging in profit-oriented sales activities with a normal interest rate/fee pricing policy.

Secondly, we will find a balance between adequate growth of loans to well-performing large corporations and effective risk management.

Thirdly, we will expand our all-in margin business activities through active transactions with business partners and employees of large corporate clients.

Lastly, we will seek new revenue sources at the bank level through cross-industry partnerships and joint marketing.

# SME Banking

The Small and Medium Corporate (SME) Banking Business Group oversees financial services to corporate clients, managing KRW 75 trillion in loans extended to 1.38 million SOHO and SME clients as of the end of 2016. Woori Bank offers a variety of financial/non-financial services as well as competitive products to SME clients to ensure the highest level of customer satisfaction. More importantly, we foster and manage SME relationship managers (RM) who are versed in SME finance and asset management to deliver Korea's best financial services.



## 2016 in Review

In 2016, asset quality significantly improved at Woori Bank. In fact, the KRW 3.7 trillion reduction in potentially insolvent assets raised the percentage of performing assets to 74.2 percent, with the number of SOHO and SME clients increasing by 90,000 over the previous year.

While carrying on with the marketing strategy we established in 2015, which focused on attracting and retaining high-yield SME clients in 2016, we continued to direct our attention towards strategic targets through technology financing, policy financing and guarantee-secured loans. Another important strategy in 2016 had to do with cross-selling for customer lock-in and maximization of profitability, while also introducing diverse privilege benefits to enhance customer satisfaction and the quality of services offered to our SME clients. All the while, we also trained and fostered SME financing experts.



## Marketing Activities Targeting High-Yield SME Clients

Throughout 2016, just as in 2015, the SME Banking Business Group continued updating marketing information on targets by key product and customer class as well as for partner firms of large corporations to assist branch offices with their campaigns to attract high-yield corporate clients. In January 2016, we launched High-yield Enterprise Master Loan II, High-yield Enterprise Power Tech Loan and the SOHO Areumdri Loan, all of which come with competitive interest rates offered only to high-yield enterprises along with extra credit limits. By the end of 2016, these three new loan products accounted for a total of KRW 8.8 trillion in sales. As a result of our consistent marketing efforts to expand high-yield assets, the size of loans to high-yield corporate clients rated BBB and above increased by KRW 6.8 trillion at the end of 2016.



Number of SOHO and  
SME clients increasing in 2016

**90,000**



Reduction in potentially  
insolvent assets

**KRW 3.7 trillion**



Percentage of performing  
assets

**74.2%**



### Concentration on Technology Financing & Reinforcing Growth Potential

In order to increase high-yield assets concentrated on technology financing, our marketing focus remained on securing an early mover advantage in the market in 2016, just as it did in 2015, through marketing activities aimed at corporate clients with advanced technologies and through the provisioning of pre-approved lines of credit. Our newest products launched especially for quality corporate clients with advanced technologies include the High-yield Corporate Power Tech Loan and Tech Start-up Guarantee, both of which have reinforced our product line-up for stronger sales competitiveness. Moreover, our marketing efforts to increase the volume and number of borrowers related to technology financing resulted in a KRW 3.6 trillion increase in value by the end of 2016, with a jump in the number of borrowers amounting to 6,800. Additionally, an increase in the number of corporate clients by 90,000, as well as a KRW 2 trillion growth in low-cost deposits, significantly contributed to our strong profitability and loan growth.

### Retaining Customers & Offering Top Consulting Services

As a means to hone our competitive edge in business consulting ahead of anticipated fierce competition in the financial sector and to meet the diverse needs of customers, we are actively implementing various programs that feature preferential offers and consulting services. The preferential benefits offered to membership clients and loyal customers who have carried out transactions with Woori Bank for an extended period of time include expenditures for family events and employee training. Thus, Woori Bank has proven yet again that it is making strenuous efforts to remain the most reliable financial partner for both individual and corporate clients.

Woori Bank's business consulting service draws on the bank's unparalleled experience in Korea's financial sector, offering a number of consulting programs to corporate clients in the fields of business consulting, CFO consulting, family business succession, and operations consulting. In 2016, we carried out a total of 114 consulting projects for clients.

### Diversified Special Products

In 2016, the SME Banking Business Group introduced a wide range of specialized products, including the High-yield Enterprise Master Loan II and the Woori Credit Card Member Store Power Loan, a preferential product for high-yield SOHOs and SMEs to increase SOHO and SME banking loans.

In support of government policies, we also marketed the Woori Value Added Tax Buyers' Tax Payment Deposit to attract new clients and low-cost deposits. For this same purpose, we marketed our WiBees CVS Honey Deposit product as a preferential product for sole proprietors in the latter half of 2016. In step with governmental tech financing prop-up measures, we diversified our product line-up for SME clients that feature leading technologies. This included the High-yield Enterprise Power Tech Loan and Tech Start-up Guarantee, both of which balanced our business competencies for corporate and sole proprietor enterprise clients alike.

### Promotion of Policy Financing & Guaranteed Loans

In promotion of policy financing, the SME Banking Business Group continually sought strategic alliances with local governmental agencies and public organizations in 2016. We also strengthened the interest rate competitiveness of policy financing and conducted job training programs in order to reinforce sales competencies. Specifically, we launched two new products, one called the S-Plus Start-up Support Loan, which is guaranteed by the Korea Credit Guarantee Fund, and offers preferential interest rates on guarantees and subsidies for guarantee fees targeting high-yield SMEs in their early stages of operations, as well as a second product called Tech Start-up Loan, which is guaranteed by the Korea Technology Finance Corporation, and is a preferential product for SMEs with outstanding technological competencies. As a result, our customer base for high-yield SME clients grew substantially throughout 2016. In addition to corporate clients, we also continued offering policy financing tailored to the needs of sole proprietary enterprises, providing KRW 129.1 billion in SOHO Market Promotion Funds and KRW 58.6 billion through the Seoul General Business Stabilization Fund to further expand our customer base with this customer segment.

## 2017 Plans

In 2017, the SME Banking Business Group will pursue marketing activities to increase quality assets and profitability while also retaining high-yield clients. Plans are now in place to launch new products targeted at different target clients so as to attract new customers. Since the bank's successful privatization at the end of 2016, the SME Banking Business Group plans to reinforce financial services that will lead to mutual

prosperity for the bank as well as for clients. We will also continue to strengthen our competencies when it comes to attracting high-yield clients and sales experts so we can expand our profit base through total financial services, while bolstering FinTech-based SME platform sales to further expand our financing to foster SMEs that have competitive technologies.

# Institutional Banking

The Institutional Banking Business Group consists of the Institutional Banking Product & Marketing Department, which serves the central government, local governments and public institutions, and the Public Fund Sales Department, which manages the municipal and provincial treasuries of local governments and the courts.

In fact, we are the only Korean bank that employs institutional banking specialists (institutional customer relationship managers), all of whom provide first-rate financial services to institutional customers. As of 2016, our institutional customers included the Seoul Metropolitan Government and its 24 district offices, the Ministry of Land, Infrastructure and Transport, the Korea Land & Housing Corporation, and the Korea Railroad Corporation. Such an impressive list of customers only reaffirms our position as the primary choice of bank by the largest number of public institutions.



## 2016 in Review

On top of the knowhow we have gained from our 101 years of experience as Seoul Metropolitan Government's treasury bank, Woori Bank has also become a leading financial institution for residents around the country through our Institutional Banking Business Group, which contributes to regional development and helps expand the scope of transactions we carry out with the central government, local governments and major public agencies.

In line with governmental policies, Woori Bank provides specialized services for government agencies and their planned relocation to outlying regions, including Sejong-si. As of 2016, we have locked in 42 of 154 institutions that are to be relocated outside of Seoul in our institutional customer base, with plans to provide advanced financial services to all of these institutional clients and their employees. As of the end of 2016, the Institutional Banking Business Group managed total deposits of KRW 24.7 trillion and total loans worth KRW 1.2 trillion through transactions with 4,200 institutional customers.

24.7

2016

+2.2

Total Deposits  
(Unit:KRW trillion)

22.5

2015



Number of Institutional  
customers

4,200

**Major Institutional Customers**

Seoul Metropolitan  
Government & its 24 district offices,  
Gwangmyeong City

**Major public agencies  
customers**

- Korea Land & Housing Corporation
- National Pension Service
- Ministry of Land
- Infrastructure and Transport
- Korea Railroad Corporation
- Korea Institute for Advancement of Technology
- Agency for Defense Development
- Korea Evaluation Institute of Industrial Technology(KEIT)
- Korea Institute of Energy Technology Evaluation & Planning
- Korea Electric Power Corporation (KEPCO)
- Defense Acquisition Program Administration
- National Health Insurance Service
- Korea Post
- Korea Institute of Startup & Entrepreneurship Development
- Korea Creative Content Agency

**2017 Plans****Aiming for Another Century of Serving as  
Seoul Metropolitan Government's Treasury  
Bank**

Since signing a treasury management agreement with Gyeongseongbu (Seoul) in 1915, Woori Bank has done a formidable job as Seoul Metropolitan Government's treasury bank by not only collecting tax revenue, but also by managing all annual expenditure payments.

In 1988, we launched Seoul Metropolitan Government's first comprehensive management system for revenues and expenditures. Then, in 1991, we established the OCR (Optical Character Recognition) Center, epitomizing our century-long service as the city's municipal treasury bank. Moreover, the introduction of our ETAX system in 2001, an annual expenditure e-banking system in 2004, and a revenue e-banking system and an integrated treasury management system in 2011 equipped us with globally competitive treasury management capabilities. Based on our advanced treasury management system and high-quality specialists in all related fields, Woori Bank has become a stalwart partner of Korea's capital city, helping to handle Seoul Metropolitan Government's tax and financial management tasks, providing a convenient tax payment system for citizens, and helping develop local communities.

**Supporting New Governmental and Public  
Agency Projects**

In order to effectively support public projects, we have established a System Sales Team within the Institutional Banking Products & Marketing Department. As a result, we have earned the chance to participate as the exclusive settlement bank for Korea Power Exchange's project to upgrade the REC Trading System to facilitate direct transactions and payment clearing between the buyers and sellers of renewable energy. In addition, we were selected as the exclusive bank for managing the Ministry of Trade, Industry and Energy's R&D funds, thus providing extensive financial services that now range from the management of the real-time

cash management system (RCMS) as well as R&D fund management and expenditures to total financial services to companies with successful R&D results.

Since renewing our contract as the exclusive bank for international agreements and foreign exchange transactions for the Defense Acquisition Program Administration, an executive branch of the Korean Government, we will be providing a variety of financial support measures for the payment and settlement of goods purchased from overseas for the next three years.

**Maximizing Synergies from New Business  
Opportunities**

The Institutional Banking Business Group not only provides direct financial services to institutional customers, but also discovers and offers business linkage opportunities to SMEs and individuals involved in an institution's business. In 2016, we participated as a financial partner in KEPCO's School Project to elicit students and parents from 2,000 schools where the Korea Electric Power Corporation (KEPCO) is installing solar power generation facilities.

Additionally, we are making use of our industry-first mobile WiBee Platform to support the Human Resources Development Service of Korea (HRD Korea) in its initiative to alert customers of any dormant claims with HRD Korea's service. This has secured us a foothold to access 560,000 foreign workers as prospective customers.



In 2017, the Institutional Banking Business Group is preparing for the official selection process to be renamed the treasury bank for the Seoul Metropolitan Government and its sub-district offices for 2018. In addition, we are focused on enhancing the quality of our services as a financial partner to institutional clients by providing top-quality systems to ensure effective capital management for the government and other public

agencies and by exploring various alliance services linked to a wide range of investment projects. Furthermore, we will seek to increase transactions with public agencies that are being relocated to regional Innovation Cities, while expanding our financial service lineup to serve a greater number of employees at these agencies.



# Real Estate Finance

For systematic and professional management of real estate financing, the Housing Finance Division was enlarged into the Real Estate Finance Business Group. The group also manages the Ministry of Land, Infrastructure and Transport's National Housing and Urban Fund 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 National Housing Fund products that are available for low-income individuals/families.



## 2016 in Review

In 2016, the Real Estate Finance Business Group ranked 1st in market share among all national housing and urban funds. Recognized for our excellent performance over the past seven years, we have been providing a variety of real estate finance products to our customers as a general treasury bank for the National Housing and Urban Fund. In addition, we preemptively responded to the prolonged recession in the real estate market and played a leading role in generating demand for real estate financing by seeking to discover new markets.

## Increased Customer Base as a Managing Trustee Bank for the National Housing and Urban Fund

The National Housing and Urban Fund project is critical to broadening financing options for consumers of housing finance, including low-income individuals/families. As the managing trustee bank of the project, Woori Bank acted as the leader in funding and implementing the project. As of the end of 2016, the bank claimed a market share of 43.1 percent in loans

## Real Estate Finance Group

(As of the end of 2016)

	Results	Market Share	Rank
Mortgage Loans (Unit:KRW billion)	80,958	26.4%	2
Fund Demand-Side Loans (Unit:No. of Subscription)	317,819	43.1%	1
Housing Subscription Savings Plans (Unit:No. of Subscription)	5,200,122	27%	1



Demand-side Housing  
Subscription Loans

**43.1%**

Housing Subscription  
Savings Plans

**27%**

## 2017 Plans

for subscribers and a market share of 27 percent in savings for housing trust subscriptions. Throughout the year, 990,000 new customers subscribed to the Housing Subscription Savings Plan in preparation for a future real estate purchase. We will continue working hard to expand the benefits we offer to a greater number of customers and make National Housing and Urban Fund products more accessible than ever before.

### Leading Korea's Housing Finance Market

In 2016, the Real Estate Finance Business Group was a leader in developing products and reforming systems so that it can more proactively respond to changes in financial markets.

The Group channeled its R&D resources into developing Internet/mobile access to its real estate financial products to increase customer convenience. In fact,

we were the first Korean bank to introduce mobile-based loan products, which were made available in 2016 on the bank's mobile-only banking platform, WiBee Bank. As it turned out, the WiBee Jeonse (Key Money) Loan and WiBee Installment Payment Loan gained an early foothold in the real estate product sales segment through non-face-to-face (NFTF) channels.



Woori Bank is determined to maintain its dominant market share as part of the National Housing and Urban Fund in 2017. To that end, we will devote time to expanding our share of the loan market, where demand is exploding, specifically targeting the Monthly Rent Loan, Beotimmok Jeonse (Key Money) Loan, and Housing Subscription Total Savings Plan. Drawing on our advanced IT system and accumulated experience and knowhow from funding and operating numerous housing fund projects, we are poised to assume a leading role in supporting residential stabilization projects for customers and promoting national housing projects in a sound manner. Furthermore, we

will remain an ardent proponent of the government's housing finance measures, while extending practical financial aid to those who wish to buy their own home through our optimal profitability and minimal-risk asset structure. At the same time, we will keep introducing more mobile-only real estate financing products for higher customer convenience, thereby cementing our position as an early mover in NFTF channel-based real estate financing. In this regard, we have plans to increase our mortgage loan balance by KRW 3.5 trillion in 2017 to contribute to asset growth in the bank's retail banking business despite the economic downturn.



# EXPANDING HORIZONS



NEW YORK



Who is transcending boundaries?

# TRANSCENDING BOUNDARIES



SEOUL



# EXPANDING HORIZONS

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NEW YORK



LONDON



PODGORICA

Woori Bank is proudly broadening the boundaries of finance. The lines drawn between local and global, finance and technology, and geographical locations are blurring. As a result, we are ready to offer new solutions for the future of finance in pursuit of a better tomorrow. Committed to a better future, Woori Bank embraces the global market with innovative ideas.

**WOORI BANK**

**TRANSCENDING  
BOUNDARIES**



**MOSCOW**



**BEIJING**



**SEOUL**

# Smart Banking

The Smart Banking Business Group is in charge of establishing Woori Bank's strategy for smart banking as well as the exploration of new markets. In order to ensure a prompt response to the smart banking market, which has demonstrated exponential growth, while also achieving market dominance in the electronic payment/remittance market in alliance with ICT companies, the Smart Banking Business Department, Platform Business Department, FinTech Business Department and ICT Support Center all fall under the umbrella of the Group. As of the end of 2016, 15.63 million customers had subscribed to Internet banking and smart banking services. Along with roughly 6,500 ATMs—and by utilizing state-of-the-art technologies and networks on smartphones and the Internet—we strive to remain a bank that caters to the most exacting needs of our customers.



## 2016 in Review

In 2016, Woori Bank's Smart Banking Business Group maintained its position as a leader in the emerging digital finance market as we completed development of the WiBee comprehensive finance platform with the launch of the WiBee Talk service, the first messenger service launched by a Korean financial institution, and WiBee Market, a financial product shopping mall.

Through business partnerships with mobile platform operators, Woori Bank introduced a variety of financial services that make use of advanced technology and services before the competition. Moreover, our customer-oriented, on-demand services, which were facilitated by the launch of our O2O service and loan process innovation, allowed the bank to sustain its market position as a leader in the digital banking market.

# No.1



**NO.1 in sales among all non-face-to-face finance-related products in Korea**  
**NO.1 ranked smart banking subscription and active usage rate**  
**NO.1 market share in non-face-to-face sales channels**





## WiBee Platform

Ranked 1<sup>st</sup> in Market Share  
in smart banking subscriptions  
and active usage rate among  
bank-wide clients

No.1 Market Share

**52.5%**

subscription rate  
(As of the end of 2016)

**34.1%**

active usage rate  
(As of the end of 2016)

### Korea's First Comprehensive Financial Service Platform

Following the successful launch in 2015 of WiBee Bank, a mobile-only banking service, we added WiBee Talk, WiBee Members and WiBee Market services to create a complete platform for financial services.

Introduced in January 2016, WiBee Talk quickly took root in the market, with subscribers surpassing the two million mark as of September 21, and surpassing the three million threshold by the end of the year.

As Korea's first financial mobile messenger service, WiBee Talk offers a wide array of financial services that draw on WiBee's extensive finance platform. Among these new products, the WiBee Talk Deposit plan offers preferential benefits in connection with mobile messenger services, while the WiBee Honey Market Deposit plan links mileage points to WiBee Market accounts. Furthermore, preferential foreign exchange fee rates are available through the Foreign Exchange for All service (in partnership with WiBee Bank) while the TalkTalk Remittance service allows for one-click easy money transfers. Additionally, the WiBee Talk service was expanded to provide informative messages concerning bank transactions to clients via text messages. In the future, we plan on increasing the scope of this alert service through alliances with parcel services and credit card businesses.



### Maintaining Our Leadership in FinTech through Strong Business Alliances

In response to the rapidly changing market environment due to the entry of FinTech businesses, Woori Bank has been seeking new business opportunities in conjunction with O2O platform operators.

In addition to the Woori Samsung Pay service launched in 2015, we also established a number of financial services products that include the WiBee Designated Driver Service (for people who have consumed more than the legal limit of alcohol and require someone else to drive them and their vehicle home), the Energy Seven (E7) Partnership Service, a cash withdrawal service at convenience stores, an Automated Clearing House (ACH) payment system for Baedal Minjok (a mobile-based delivery app service), and a platform for e-note receivable discount brokerage services for SMEs.

Moreover, our strategic alliance with several foreign partners, including China's Tencent platform, for simple payment services helped grow our business domain overseas.

More recently, the Woori FinTech Lab opened and quickly discovered new business models through collaborative initiatives with—and in support of—rising FinTech start-ups in their nascent stages of business. Woori FinTech Lab also hosted a FinTech Lab Demo Day event for these businesses to provide greater opportunities for investment and business alliances.







Internet & smart banking subscribers

KRW **15.6** million



No. 1 non-face-to-face product sales market share  
(As of the end of 2016)

KRW **18.2** trillion



### Advanced On-Demand Financial Services

Woori Bank's on-demand services, which take full advantage of new technologies, continue to cater to the diverse needs of our clients. In fact, we were the first Korean bank to launch a pilot service using retinal scans for financial transactions and a smart card service that utilizes fingerprint scans through a business alliance with the Public Procurement Service. We were also the first Korean bank to integrate bioinformation into our financial services with a voice-recognition typing function launched for the Woori Watch Banking interface, a wearable banking service for smartwatches. In addition, our Woori Quick Banking service, Smart Security Card and Smart Quick Verification services all utilize advanced technologies to comprehensively enhance customer convenience with their verification

functions, while Outbound Sales (ODS) were promoted through the launch of our Tablet Branch Office service. The back-to-back launch of O2O services, including With Woori, Smart Name Cards, Smart Notes, and our Non-Face-to-Face Reservation service, considerably enhanced customer convenience, too. At the same time, we drew on data scraping technology like the Paperless Smart Lending service and the Woori SOHO Smart Guarantee lending service, both of which brought about innovation in paperless lending procedures. On top of this, we constantly introduced new products like WiBee Mobile Auto Loan and WiBee Call Loan for Rentals through collaboration efforts with mobile platform operators, outpacing our competitors in non-face-to-face channel sales.

### 2017 Plans

In 2017, the Smart Banking Business Group plans on expanding its platform network and developing new content to upgrade the WiBee platform so as to solidify its competitive edge in the field of smart financing platforms.

To that end, the Group is developing new financial services that integrate future technologies such as artificial intelligence and biotechnology, while also strengthening platform operations through alliances with Korea's leading O2O operators as we continue to expand ACH services for Chinese customers. By engaging in a big data-based target marketing campaign and establishing a smart work system through digitalization, the Group will also continue efforts to consolidate a solid foundation for digital finance.

In 2017, Woori Bank is determined to respond swiftly to ever-changing market conditions while enhancing customer convenience so that we remain the leader in digital financial markets.



# Global Business

In 2016, Woori Bank completed laying the groundwork for expansion overseas, with its global network/operating profit growth rate ranking No. 1 in Korea's financial sector and spreading its the successful launch of its FinTech (WiBee) platform to in eight countries—the largest number by of any Korean bank.

The acquisition of a local thrift bank in the Philippines and the establishment of a local subsidiary in Vietnam completed an extensive overseas network of 19 branches, 10 local subsidiaries (with 228 branch offices), and 3 representative offices. Through these 250 strategic contact points, our international experts played a pivotal role in developing the largest global network among all Korean banks while also securing significant growth momentum through global expansion. Coupled with localized and differentiated marketing strategies by region, these synergies generated USD 61 million in year-on-year growth in operating profit, which totaled USD 380 million for 2016. Furthermore, we have strategically overcome the physical challenges associated with overseas networks by launching our own FinTech platform, WiBee Bank, throughout our Southeast Asian operations, specifically in Cambodia, Vietnam and Indonesia.

## 2016 in Review

### Major Highlights Of Global Business



Gross Operating Income

USD **380** million



NPL Ratio

**0.68** %

(Excluding our exposure to Hanjin shipping)



Liquidity Ratio

**117.43** %

## Expanding Our Overseas Network

Woori Bank took a big step forward towards becoming a leading global bank with the opening of its first overseas branch office in November 1968 in Tokyo, the first time a Korean commercial bank established a network abroad. Following the acquisition of Saudara Bank in Indonesia in December 2014, we then became the first foreign bank to acquire a local bank in the Philippines when we invested in Wealth Development Bank for a 51% stake in October 2016. In November 2016, Woori Bank established a local subsidiary in Vietnam which we will utilize to enhance our retail marketing efforts for local customers in the country. Also in 2016, we became the first Korean bank to advance into the Iranian market through a business alliance with Bank Pasargad, the second largest financial institution in Iran, which will give us access to up-to-date developments in the local market and provide a foothold for Woori Bank to offer our financial services alongside a local partner.

Through these M&A activities Woori Bank has been able to establish the largest overseas network - 250 strategic contact points across 25 countries - among all Korean banks, making Woori Bank the unrivaled globalization leader in the Korean financial sector. On top of that, with the completion of an ambitious New Asian Financial Belt, we laid the foundation for Woori Bank to make further inroads overseas. Today, we have plans to enter Germany, Poland and Mexico in the near future, and continue to spearhead the Korean financial industry's globalization efforts. Through these bold international strategies, we aim to become one of Asia's top 10—and one of the world's top 50—banks in the future.





### Increasing Overseas Product Competitive- ness & Cross-Industry Alliances

Woori Bank is actively introducing strategic products customized to local needs in the financial markets of each country where it operates. Plus, our cross-industry strategic alliances allow for higher product competitiveness at our overseas operations. In 2016, we launched a number of off-shore-only products, including global bills bought, while pursuing cross-border synergies through cross-industry alliances with the Korea International Trade Association(KITA), Seoul Guarantee Insurance(SGI), Hanwha Life, Lotte Shopping, CGV, and Paris Baguette. In 2017, our goal is to emerge as Korea's leading global financial alliance service provider through various partnerships with overseas financial institutions, governmental agencies, and domestic institutional clients.

### Enhanced Management of Overseas Finan- cial Institutions

The Global Business Group is working hard to secure new lines of credit through stronger relationships with top global financial institutions, while also taking the lead in financing Korean companies that are active overseas as well as sound corporate borrowers locally by increasing funding support to our overseas branches. In pursuit of new business opportunities, we are determined to expand our network and global businesses as we preemptively prepare for potential compliance issues arising from stricter international regulations in the near future by strengthening our anti-money laundering procedures against foreign correspondent banks and introducing enhanced client identification procedures.







# International Trade Business

Woori Bank's International Trade Business Division develops and supports marketing strategies for the bank's foreign exchange services. The Division also provides support to branch offices in a swift and efficient manner through the International Trade Service Center (a business process reengineering-specialized unit). Additionally, it induces foreign direct investment and related capital transactions through the Global Investment Center in Seoul. In an effort to strengthen our foreign customer targeted marketing capabilities, we established a Foreign Customer Banking Business Department to create synergies from diverse international trade & F/X operations and to maximize profits. By drawing on our years of experience and knowhow in dealing with the largest number of large corporations along with our abundant F/X specialists, we will continue to provide industry-leading consulting services related to import and export finance and overseas investments to clients at home and abroad.



## 2016 in Review

In line with our goal of becoming a leading global bank, we spent 2016 reinforcing the F/X competencies of employees, thereby honing our competitiveness in import/export financing, foreign exchange and remittance operations. Backed by the USD 175 billion in export financing and USD 120.9 billion in import financing, we

claimed a robust market share (export 39.4%, import 34.6%) the highest among Korea's four major banks. Currency exchange operations also generated USD 4.5 billion in transaction volume, representing a 31.2 percent market share, which also marked the highest figure among Korea's four major banks.

**37.5%**

Export/Import Financing  
Total Market Share  
(As of the end of 2016)



**26.7%**

F/X & Remittances  
Total Market Share  
(As of the end of 2016)

• Among Korea's four major banks

### Strategic Reorganization to Step Up Marketing Efforts Aimed at Foreign Customers

With the goal of attracting two million foreign customers, Woori Bank's International Trade Business Division has mounted a number of campaigns to secure foreign customers and stay ahead of the competition. Part of this initiative has involved setting up a Foreign Customer Banking Business Department to better serve these new clients.

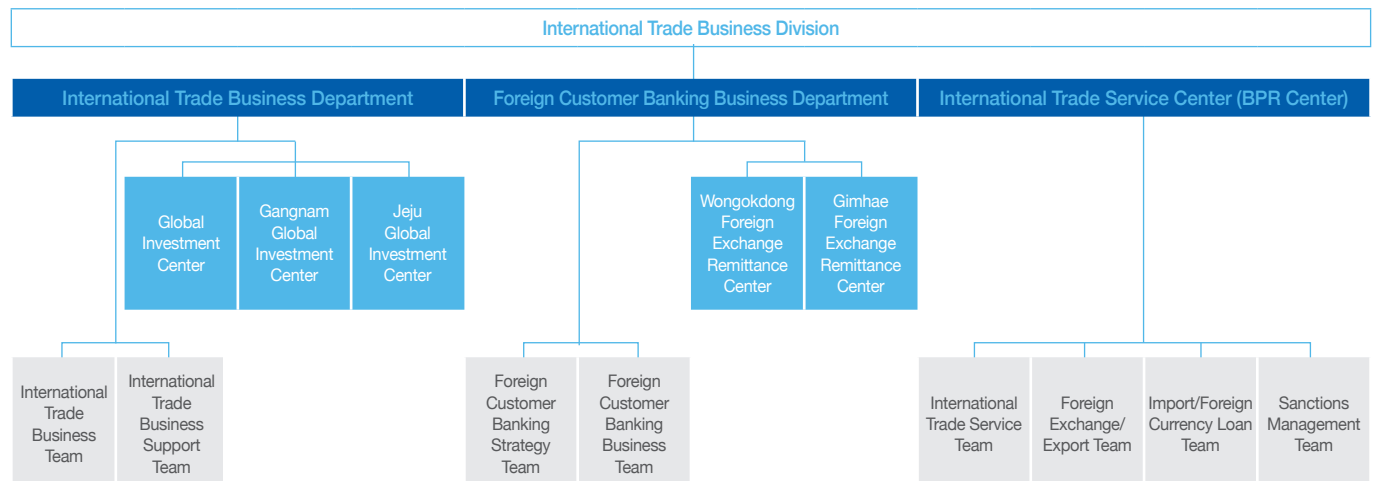
For the sake of foreign resident workers, we operate eight special branches, including the Hyehwa-dong branch, where Filipino is spoken, and the Gwanghee-dong branch, where Mongolian is spoken, are now open on Sundays. We are also designating some of our branch offices as overseas remittance-specialized locations as part of our marketing towards foreign clients. Moreover, we offer foreign direct investment consulting and other capital transaction services through our global investment centers, while also providing segmented and accurate one-stop financial services to foreign investors and related organizations on legal affairs, taxation and other investment-related affairs for inbound investments. In 2016, we opened the Gangnam Global Investment Center and Jeju Global Investment Center to complete a business line-up in locales that have recently become more attractive for foreign investors.

### Stronger F/X Competencies for Higher Export/Import and F/X Remittance Competitiveness

Woori Bank continues to foster F/X experts with advanced training programs, expanding its network of non-BPR branch offices to bolster the F/X competencies of its entire workforce, and honing its competitive edge in export/import and F/X & remittance operations. As a result, our 2016 export/import performance results totaled USD 295.9 billion, solidifying our market position as the nation's top corporate financing institution. We also engaged in aggressive marketing campaigns at international gateways like Gimpo International Airport, Incheon International Airport and Seoul Station's F/X Center. This helped us successfully secure a large foreign customer base, with USD 4.5 billion in F/X transaction volume.



### International Trade Business Organization



**Total Export & Import  
Financing,  
F/X & Remittances Volume**  
(As of the end of 2016)



Export/Import Financing

**USD 295.9 billion**



Foreign Exchange

**USD 4.5 billion**



Remittances

**USD 151.3 billion**

**Establishing an Early Foothold in the Won/  
Yuan Trade Settlement Market**

In 2011, Woori Bank became the world's first bank to complete an offshore Korean won-denominated settlement system. At the same time, it arranged for the won-denominated clearing of trade settlements through a currency swap deal between Korea and China, playing a vital role in leading the globalization of the Korean won. With many major financial institutions now subscribing to the Woori Clearing System, our transaction volume has greatly expanded, reaching KRW 31.5 trillion in total trade settlement clearing (in KRW) as of

the end of 2016. After becoming the first Korean bank to obtain approval for international yuan settlements from Chinese authorities back in 2010, Woori Bank then became the first financial institution to set up trade settlements through won-yuan currency swaps and now boasts the largest volume in this regard. We were also the first Korean bank to commence a Korean won clearance service in China, which contributed to the promotion of Korean won-denominated transactions, facilitating Chinese banks to opt for Korean won for their trade business operations and deposit-taking services in China.



**2017 Plans**

In 2017, Woori Bank's International Trade Business Division will continue to reinforce its foreign exchange operational competencies through expert training and marketing campaigns. By harnessing multiple synergies in the diverse domains of foreign customer marketing as well as export/import financial services, foreign exchange and remittances, we will maximize profitability and expand our market share in international trade business operations.

At the same time, we continue to attract new clients based on our expertise and knowhow in the field of foreign currency vault services for the National Pension Service and corporate banking services, all the while maintaining a focus on profitable growth. We will continue our endeavors towards becoming a leading foreign exchange bank, which will serve as a stepping stone to achieving our greater vision of becoming one of Asia's top 10 banks and one of the world's top 50 banks in the near future.

# Financial Market Business

The Financial Market Business Group consists of the Treasury Department, which manages bank-wide liquidity, the Trading Department, which handles F/X trading, marketable securities and financial derivatives, and the Settlement Support Department, which performs back office duties. Woori Bank is 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 exchange, equities and commodities.



## 2016 in Review

As the funding and investment body of Woori Bank, the Financial Market Business Group focused on improving efficiency in its funding and investment procedures throughout 2016, thereby efficiently balancing assets and liabilities through these activities to continually improve profitability while maintaining sound liquidity levels.

These efforts contributed to higher NIM figures by maintaining optimal loan-deposit ratios, liquidity management and low-cost funding. Bracing for a possible decrease in BIS ratio that could arise from Woori Bank's privatization, we enhanced our capital ratio with stable funding by issuing won-denominated contingent convertible capital instruments (CoCos) in the first half of the year. Of particular note was the perpetual foreign currency contingent capital issue in the latter half of the year, which was the first of its kind for any Korean bank.

As a result of these measures, the bank's liquidity coverage ratio (above 85%), liquidity ratio in foreign currency (above 85%), and medium- and long-term foreign currency funding ratio (above 100%) were well above regulatory guidelines in 2016, contributing to a 0.54 percent increase in our BIS ratio. We also strengthened our competitiveness in F/X and derivatives trading through diversified trading currencies and provided various hedging services that are available through all global trading hours to assist our customers with their risk management strategies.





### Optimized Liquidity Management

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

In 2016, the Financial Market Business Group established proactive financing plans to issue KRW 5.19 trillion in won-denominated senior bonds, KRW 0.25 trillion in won-denominated CoCo bonds, and USD 500 million in foreign currency senior bonds and CoCo bonds, respectively, at low interest rate. Most notably, the F/C CoCo bond was issued as a perpetual F/C CoCo bond (Tier 1)—the first in the domestic market—and at record-low interest rates, backing up Woori Bank's prominent position in international financial markets.

#### Stabilizing Foreign Currency Liquidity in Preparation for Volatile Financial Markets

In 2016, we amended internal rules to allow the Treasury Department to directly purchase foreign currency bonds for liquidity control purposes and expanded our investment targets to include foreign currency public bonds, which are high-quality liquid assets in terms of foreign currency liquidity coverage ratios (LCR). As a result, the department was able to diversify its investment portfolio of surplus foreign currency capital and stabilize foreign currency liquidity in the face of highly volatile financial markets that reacted to events such as Brexit, U.S. interest rate hikes, and the U.S. presidential election.

### Compliance with Regulatory Guidelines

As of the end of 2016, Woori Bank was well above the regulatory ratio set by Korea's Financial Supervisory Service (FSS) as a result of proactively managing surplus liquidity to achieve a 109.61 percent liquidity coverage ratio, a 121.70 percent foreign currency liquidity ratio, and a 224.17 percent medium- and long-term foreign currency funding ratio.

### Stronger Competitiveness in F/X & Derivatives Sales

In 2016, the Financial Market Business Group swiftly moved to prepare itself for increased volatility in financial markets, while reinforcing its marketing competitiveness through new revenue generation.

#### F/X Trading

In foreign currency trading, Woori Bank strengthened its trading activities in the MXN (Mexican peso), ZAR (South African rand), PLN (Polish zloty), and RUB (Russian ruble) markets, as well as in major currencies such as the USD (US dollar), JPY (Japanese yen) and EUR (Euro) as it diversified its revenue sources as part of a proactive response to market changes.

In addition, we were selected as the market maker for the won-yuan direct trading market after the market opened in December 2014. We are especially proud to be playing a leading role in the development of the won-yuan trading market, receiving commendations in 2015 and 2016 for this accomplishment.

### Derivatives

In derivatives markets, we strengthened the stability of our derivatives trading taking versatile position in anticipation of market variable developments, such as domestic and international policy changes and fluctuations in demand and supply. We also provided one-on-one customized solutions and risk management consulting services for F/X and derivatives trading by having derivatives specialists visit SME clients in person to provide direct support in areas in which they lack risk management experience and know-how.

### Securities

In the securities markets, we increased interest profits and non-interest profits by efficiently managing bonds and bond-type beneficiary certificates through an analysis of monetary policies and bond markets, domestically and internationally, as well as by diversifying the source of non-interest profits through a variety of items and a higher volume of bond lending transactions traded as risk-free transactions that received a commission.

## 2017 Plans

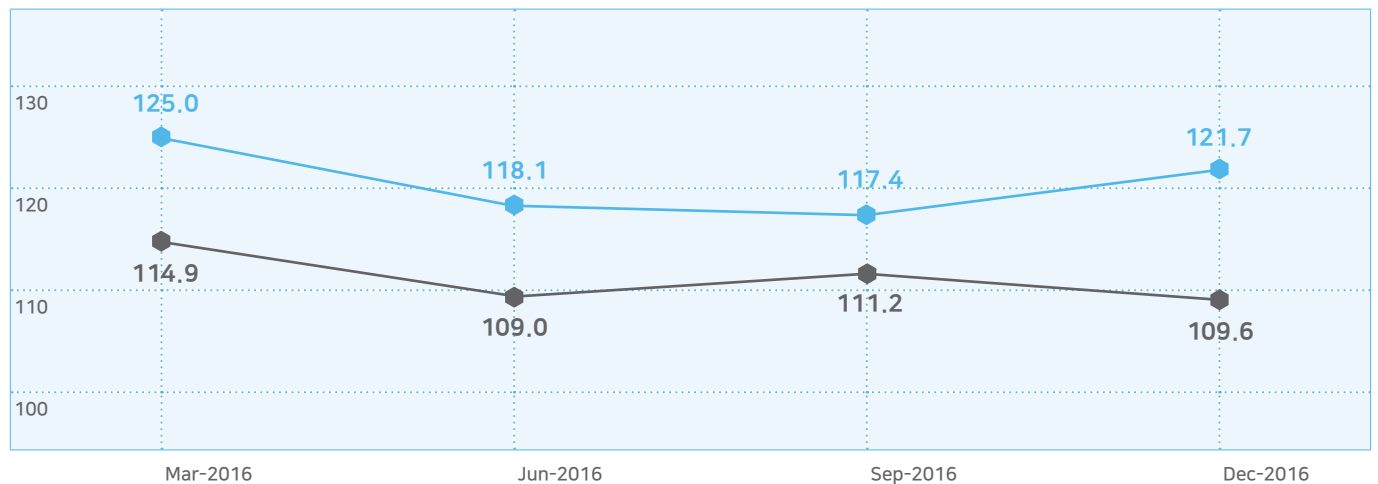
In 2017, the Financial Market Business Group will prepare for regulatory changes slated for the year concerning new foreign currency LCR and stress tests, as well as a higher liquidity coverage ratio, by stabilizing bank-wide liquidity management with high-quality liquid assets, including public bonds in Korean won and foreign currencies. With this preemptive move to manage liquidity, the Group will diversify won-denominated funding durations by issuing bonds, while generating savings related to its cost of funding by increasing repurchase agreement (RP) sales.

In the meantime, we will strategically diversify our trading portfolios to include arbitrage in foreign exchange derivatives as well as hedging on foreign currencies and interest rates to increase profits from foreign currency derivatives. Furthermore, in anticipation of rising demand for risk hedging against the growing volatility of global markets, we will provide timely customized products so that we can consistently expand our foreign exchange and derivatives transactions. All the while, our sales task force team, which is made up of a wide array of experts, will continue serving securities firms, insurance firms, governmental agencies, and other financial/public institution investors to attract major new clients and increase non-interest profits.

### Liquidity Ratios

- Liquidity Ratio (Foreign Currency)
- Liquidity Coverage Ratio (All Currency)

(Unit:%)



# Investment Banking

Woori Bank's Investment Banking (IB) Business Group is in charge of diverse investment tasks, including syndicated loans (M&As, corporate finance), project financing (infrastructure projects, power generation energy projects), securities investments (securities, mezzanine securities, collective investment securities, foreign currency bonds) and the granting of credit. With the Investment Banking Department and the Project Finance Department under the IB Business Group, we actively implement IB policies and solutions. In particular, we provide a customized financial structure that can meet a project's capital needs implemented by companies through a strong network and partnerships with our major corporate clients. In addition, we actively explore not only the domestic but also the overseas IB market, having established Woori Global Markets Asia Ltd. in October 2006, Korea's first financial institution to specialize in overseas IB investments in Hong Kong.



## 2016 in Review



### Total Assets of Investment Banking Operations

(As of the end of 2016)

**KRW 10.0** trillion

In 2016, we focused on improving asset quality by substantially reducing problem assets, while raising the percentage of quality assets to higher than 90 percent. In addition, our continued growth in profitability achieved an increase of more than KRW 200 billion in operating profits over the past two years.

Through a fund with KRW 49 billion in assets, we were the first Korean bank to invest in high-performing corporations jointly with private equity funds in 2016, and also to arrange aircraft financing in the Middle East worth USD 70 million, thus taking advantage of a highly profitable investment market.

At the same time, our inter-departmental cooperation resulted in outstanding accomplishments. In collaboration with the WM Strategy Department and Trust Department, we carried out structured financing on loans for Mirae Asset Global Investments, which in turn generated additional fee income, expanded our market share of investment vehicles, and increased overall customer satisfaction.

Investment Banking Operations in 2016

(Unit:KRW trillion)



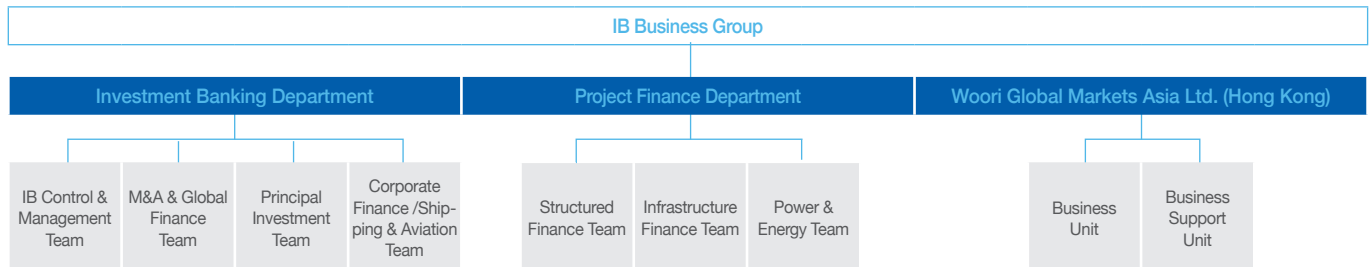
	2016	%
<b>Total Assets</b>	<b>10.0</b>	<b>100</b>
<b>Balance Sheet Assets</b>	<b>6.4</b>	<b>64</b>
Loans	3.8	3
Securities	2.6	26
Others	0.0	0
<b>Off-Balance Sheet Assets</b>	<b>3.6</b>	<b>36</b>
Loan Agreements	2.4	24
Payment Guarantees	0.4	4

2017 Plans

In responding to the intensifying competition of the IB market, Woori Bank's IB Business Group will concentrate its resources on core businesses, such as mergers & acquisitions, principal investments, and infrastructure financing. We will also explore various new business opportunities that have not been pursued as of yet to push the lim-

its of the domestic market in pursuit of future revenue sources even as we actively seek out overseas business opportunities. More than anything else, however, we will seek to eliminate existing problem loans as soon as possible and strive to prevent the emergence of new insolvent assets to further enhance our asset soundness.

Investment Banking Organization





**BEYOND  
FINANCE**



Who is creating a better world?

**CREATING**  
A BETTER  
WORLD



**BEYOND  
FINANCE**



Woori Bank's commitment goes beyond the financial sector to reach all of the communities we operate in. As a responsible corporate citizen, we continue to share our growth with local communities. Firmly rooted in our ethical management practices and trust-based relations with stakeholders, we take pride in our contributions to creating a better society for everyone with higher employee satisfaction and the provision of a secure and convenient financial lifestyle for our customers.

**WOORI BANK**

**CREATING  
A BETTER  
WORLD**





# Ethical Management

In order to survive in an era of global competition and achieve sustainable development, Woori Bank devised the Woori Code of Ethics and Woori Code of Conduct to provide standards for employees and ensure that all corporate social responsibilities are carried out faithfully. Based on our high level of ethical finance provisions implemented through the Woori Code of Ethics, we will contribute to social development by fulfilling our social responsibilities for all stakeholders, from customers and shareholders to employees and society as a whole.



## 2016 in Review

In 2016, we improved accessibility for employees to our Code of Ethics by posting the 27 provisions on our intranet so that everyone at Woori Bank is well-versed in the bank's ethics code. Woori Bank employees renew their pledges to legal compliance and sound business practices on an annual basis, while also conducting monthly self-check ethics/compliance tests to enhance their ethical/legal mindset. We also publicize ethics- and compliance-related educational materials on the bank's intranet to serve as a reminder. Guided by the most stringent business ethics principles as our core principles, the bank continually monitors business practices against legal compliance standards to evaluate performance results from all branch offices. Woori Bank's annual awards for outstanding accomplishments in ethical management and compliance monitoring are instrumental in raising employee awareness about ethical compliance and motivate such practices with incentives that are in line with our commitment to remain a fully honest and ethical bank.

## Legal Support for the Front Office

Woori Bank offers prompt legal service on demand for emergency legal issues that arise at any of our branches. The bank's legal affairs portal site has downloadable standard agreement forms that cover a wide array of issues, allowing for time savings related to legal reviews of agreement forms at branches. For departments and teams in charge of new products and new terms & conditions, we assign attorneys who specialize in finance law to clear up any potential legal issues that may arise in the process of launching new products or when pursuing new business opportunities. Furthermore, our website has a separate page providing answers to FAQs on legal affairs and a collection of case studies (by type of business) to help employees at branch offices better understand the legal issues involved.

### Advanced Ethical Management Training Programs for Higher Employee Ethical Awareness

Ethics training has been enhanced with the introduction of a compulsory ethical and legal compliance course within the standard employee training program for new hires and those recently promoted, as well as regular job competency training. Additionally, all compliance officers from our headquarters and branch offices are required to receive in-house group training every year. Moreover, monthly Ethical & Compliance Self-check and Check & Clean Day events allow employees to develop a deeper awareness of business ethics and voluntary legal compliance measures. The ethics training material referred to as On-Site Ethics & Compliance Practices are distributed to all our operations, while the quarterly publication of Case Studies on Ethics and Legal Compliance is instrumental in our efforts to raise ethical awareness and integrity among all employees.

### Diverse Ethical Management Programs

Woori Bank has implemented a number of programs to make sure employees are well-versed in our Code of Ethics and that they translate these provisions into action at work. To begin, the Woori Code of Ethics and Woori Code of Conduct prohibit employees from benefitting from any stakeholder interests, while the Self-Reporting Program encourages employees and non-employees alike to report on the giving or receiving of any and all gifts or benefits in exchange for favors connected to their job position. We also have a whistle-blowing program in place to report on any unfairness or irregularities by employees, as well as an ethical contracting system that mandates all involved parties draw up contracts in a sound, transparent manner. In addition, we have reporting systems for marketable securities accounts and transaction records, ensuring that we comply with all laws and regulations governing marketable securities trading as well as the prohibition of insider trading.

## 2017 Plans

In 2017, Woori Bank will improve its internal control and compliance program management system to further enhance the efficiency of its internal control of branch offices while also minimizing legal risks. The internal control process will also be reformed to strengthen on-site monitoring functions at branch offices and back offices. In addition, we have plans to establish an anti-money laundering risk management system at our domestic and overseas operations that will feature top-of-the-line monitoring capabilities. In or-

der to enhance ethics awareness and legal compliance among employees, a variety of on and offline training will be provided as we aim to reflect regulatory changes in our corporate bylaws on a timely basis to prevent financial incidents from occurring. As such, we strive to remain a leading bank in compliance and business ethics through systematic ethical practices and higher levels of social responsibility for employees.



# Employee Satisfaction

Woori Bank believes that a workplace where employees are happy is the foundation for providing the best services to customers. This commitment took shape with the setup of the Employee Satisfaction Center in 2007. Since then, the Center has been developing and offering diverse programs to enhance employee satisfaction while increasing the provision of healing and travel programs. These, we believe, enhance our employees' sense of ownership in the bank thereby enhancing the quality of customer services.



## Programs for Higher Employee Satisfaction

Woori Bank has in place varied novel programs to heighten employee satisfaction. Among the many programs that Woori Bank introduced in 2016 to raise employee satisfactions was the Woori Pop Star event, a talent show where Woori Bank employees from across the nation show off their varied talents. Today, we operate a number of programs that support employee hobbies and assist in their social networking within the organization.

The two most popular programs are Oh! Happy Woori, a family getaway initiative, and a psychological counseling program that helps employees deal with stress and effectively address family issues. Together, they not only help employees better understand each other and their families, but also encourage them to deal effectively with issues at work and life in line with the bank's belief that happy employees—and their families—constitute the bank's competitiveness.

### • Oh! Happy Woori

Established under the belief that happy families lead to

happy employees, Oh! Happy Woori is the bank's signature family-friendly program that provides employees the chance to reconnect with family members and relieve stress in a healthy way. In 2016, Oh! Happy Woori included a night star-gazing event, a trip to Pocheon Herb Island, a visit to Korea Job World—the largest job experience center for kids and teenagers in Korea, a country house stay and an opportunity to experience taekwondo firsthand at Kukkiwon, the World Taekwondo Headquarters. Later that same year, the bank also arranged special programs for employees and their spouses, such as an autumn trip to the south of the country and a winter trip to the coastal city of Donghae. With the largest number of applications from employees, this monthly program has become the most popular employee satisfaction program, giving participants a chance to spend quality time with their families.

### • Head Office Auditorium Becomes a Free Venue for Weddings

Woori Bank rents out the auditorium at its head office building for free as a venue that employees can use to





Number of couples married at  
the Woori Bank's head office  
building

**160** couples

(As of the end of 2016)



host weddings. The spacious, ornately decorated layout features a gorgeous bridal room and another separate room to perform traditional wedding rites, while a great many guests can enjoy specially prepared meals in the renovated cafeteria. In 2015, we carried out renovations to the auditorium to make it an even more luxurious wedding venue. Another important benefit is that the newlyweds are provided the bank president's official car as their wedding car. In the first two years Woori Bank rented out the auditorium, from 2012 to 2013, a total of 179 couples walked down the aisle. As this service become more widely known within the organization, the number of weddings grew, from 165 couples in 2014 to 189 couples in 2015. In 2016, 160 couples chose to tie the knot in the auditorium. Not only does this free service help employees save money, but also serves to increase their pride as members of the Woori family.

#### Benefits Offered in 2016

Woori Bank subsidizes psychological and legal counseling services for its employees and their family members in the hopes that we can assist our employees to effectively address their personal/family issues to create a worry-free workplace and a vibrant corporate culture. On top of this, we also have an in-house psychologist to provide counseling, run tests, and deliver lectures at branch offices upon request from employees. Furthermore, we are constantly seeking ways to help our employees deal with stress through daily meditation, temple stay programs and herbal healing programs.

#### • Workshop Support at the Branch Office Level

Zip-lining, glamping, yacht and ATV experiences, and survival games are only a few of the outdoor activities we provide so that employees at branch offices can strengthen their ties with colleagues and the organization as a whole. Every year, a growing number of employees are applying to take advantage of this popular program. This thoroughly enjoyable workshop facilitates cross-the-board communication within the organization and generates synergies among employees. In light of the CEO's commitment to management by walking around (MBWA), the Woori Town Hall Meeting program was expanded in 2015 to the Regional Banking Headquarters level so as to facilitate cross-departmental and even cross-regional communication and mutual understanding among employees. In 2016, the Woori Pop Star event also provided a fun venue for employees from different regional bases to become acquainted with one another.

#### • Appreciating the Arts

This culture-oriented program enriches the lives of employees and their family members through musicals, operas and classical music performances. Introduced in 2012, Woori Bank first arranged a group viewing of the opera version of *The Little Prince*. In 2014, participants went to see the musical *Wicked*, in 2015 they saw *Dream Girls*, and in 2016 employees were treated to the musical *42nd Street*. We continue offering cultural programs that have garnered positive responses from our employees.

#### • Encouraging a Healthy Work-Life Balance

In a bid to improve working conditions for employees, we instituted a program in 2013 to discourage employees from overworking. Since then, most of our branch offices abide by this unofficial rule. As part of this initiative, computers are set to automatically turn off at 7 p.m. every day, forcing employees to leave the workplace and relax or spend time with family. As a result, employees aim to enhance productivity so they can finish everything they need to get done before all the computers turn off, thus eliminating any possibility of staying late at the office. Going forward, we will continue listening to what employees have to say and address any potential issues concerning the automatic shutdown of computers in an effort to heighten employee satisfaction.

#### • A Healthy and Vibrant Workplace

Woori Bank encourages all employees to receive comprehensive health and blood screening at least once a year. Based on the findings, employees advised to receive additional check-ups are entitled to the bank's Group Insurance Coverage and medical subsidies, which helps ensure a healthy and vibrant workplace. The bank also supports membership in a condo-sharing program nationwide, allowing employee to enjoy time away with family members at multiple destinations throughout Korea.

#### • Woori Daycare Center

In support of the government's policy to address the falling birth rate, Woori Bank runs corporate daycare centers in Seoul to assist our employees with childcare issues. In addition to the two existing centers in Mapo-gu (Happiness Center) and Seongdong-gu (Love Center), Woori Bank opened a third daycare center at its head office in Jung-gu, Seoul in August 2016. We will continue adding new day care centers in promotion of a corporate culture that encourages childbirth, while also helping parents balance the challenges of working full time and raising a young child.



# Consumer Protection

In line with our management principle of on-site management in which customers come first, we have made Customer happiness, Pioneering for the future, Honesty & trust, and Putting talent first our core values, of which customer happiness is the overriding value. Based on this management philosophy, we were the first Korean bank to establish a Consumer Protection Division, an organization devoted solely to consumer rights protection, which strengthened our position as a leading bank in consumer rights protection.



## 2016 in Review

The Financial Consumer Protection Center establishes and implements complaint prevention plans after reflecting customer opinions and consumer protection policy trends, while also promoting and advancing consumer rights and interests through the continuous improvement of systems and the correction of unsound practices. In addition, we deal with customer complaint issues promptly and fairly. Moreover, branch office support requests and problem-solving issues are promptly handled after consulting with the relevant departments.



## Continued Decrease in Customer Complaints

Through diverse incentives to motivate employees to prevent customer complaints, we proactively support self-driven complaint prevention drives at the sales network level. Whenever we launch a new product, relevant departments join forces to preview and deal with any potential risks for customer complaints or violations of consumer rights. As a result of this tenaciousness, we saw the number of our customer complaints decline for a fifth straight year in 2016. In recognition of our constant system upgrading efforts in pursuit of consumer rights protection, the Financial Supervisory Service singled out Woori Bank in 2016 for Excellence in the Financial Sector as part of its Financial Consumer Rights Protection Practice Review for 2015.

### Customer-oriented Consumer Rights Protection Practices

In order to reflect the voices of those working at customer contact points, we invite our staff at branch offices every quarter to submit their ideas for consumer rights protection initiatives and also reflect suggestions made by customers that are collected through diverse channels to prevent the recurrence of similar complaints.

As part of our commitment to voluntary and active consumer rights protection activities, we are also proud to promote our Charm Forum, a voluntary meeting of customer relationship managers who spearhead our consumer rights protection efforts at customer contact points.

### Heightening Prevention of Financial Fraud

In active response to the growing frequency of financial fraud, such as voice phishing and pharming, as well as mortgage fraud, we constantly publicize warnings about such malfeasance and train our employees accordingly at branch offices. At the same time, tellers are instructed to block withdrawals as soon as they recognize any sign of financial fraud. Due to this vigilance, there was a sharp increase in the prevention of fraud and losses over the previous year. In fact, we even received a citation from the Korean National Police Agency for cooperating in the arrests of numerous people who had committed fraud.

## 2017 Plans

The Financial Consumer Protection Center set becoming a stronger financial consumer rights protector as its goal for 2017. To that effect, we will reinforce our complaint prevention campaigns at branch offices, work hard to promote consumer rights, and scrutinize new products before marketing them to the public so as to

weed out any potential risks to customers. Additionally, we will upgrade our financial fraud prevention procedures yet again and further train employees to help them bolster their competencies in preventing financial fraud and ultimately protect all customer assets.

### Information Security at Woori Bank

Woori Bank pursues continuous upgrades to its information security organization and heightens its administrative and technological protection measures to eliminate customer information leakage at its source.



#### Increasing Staff at the Information Security Organization

The Information Security Division hosts regular Information Security Commission meetings to discuss agenda related to IT security and internal controls for customer information protection as well as system amendments.

In addition, our ICT Security Check Team consists of highly skilled "white hats" (ethical information security experts) to ensure our financial service environment remains secure.

#### Administrative Protection Measures

In an effort to prohibit the misuse and abuse of customer information, staff members in charge of customer information inquiries have minimal access to customer information—and only when required. They also receive periodic training on information security to raise awareness of personal information protection and the prevention

of information security incidents. When customer information is provided for use by external parties for business purposes, we scrutinize their monitoring practices to prevent loss, theft, leakage, forgery, falsification or damage to customer information.

#### Technological Security Measures

Woori Bank earned an information security management system (ISMS) certificate from the Ministry of Science, ICT and Future Planning's Korea Internet Security Agency (KISA) in October 2014. In June 2016, the bank was also awarded a Ministerial Prize at the Ministry of Commerce, Industry and Energy's 1st Annual Korea Industrial Security Awards.

That same year, we became the first Korean financial institution to complete a system for countering advanced persistent threats (APT) in the trafficking of malicious code, which helped to successfully insulate the bank against cyber-attacks. Later, the application of state-of-the-art

FinTech security technology related to dynamic app falsification prevention and obfuscation systems further reinforced the safety and stability of our mobile-based services.

#### 2017 Plans for Information Security

In addition to plans already in place to counter cyber attacks, we are also working to complete a system for detecting malicious code related to security violations and incidents by internal users. FinTech technology will also be applied to enhance our advanced security systems. Hacking simulation drills will allow us to thoroughly prepare ourselves against the potential threat of cyber attacks. At the same time, we will strengthen our security practice checks related to new service platforms, including WiBee Bank. Going forward, we will continue to maintain airtight protection of customer information and maintain the high level of trust customers have in the bank.

# Social Contribution Activities

Since its foundation in 1899, Woori Bank has taken great pride in not only being only Korea's first commercial bank, but also the country's first fully domestically-funded bank and a vital part of the development of the national economy over the past 118 years. In modern society, where financial institutions are expected to fulfill their social roles and responsibilities, we have three core values in place—humanity, happiness and hopefulness—and uphold all three through diverse social contribution activities and sharing campaigns. By lending our financial acumen to social contribution initiatives, we provide financial aid to SOHOs and underbanked clients in a variety of ways.

In recognition of these accomplishments, Korea's Minister of Health & Welfare granted a commendation to Woori Bank at the 2016 Korea Sharing Awards. Going forward, we will continue to develop and carry out activities to create heightened social value through diverse social contribution activities.



## HUMANITY

### Humanity in Action with Local Communities

#### • The Woori Love Sharing Program

Since launching the Woori Bank Volunteer Corps in July 2007, we have been engaged in a number of social contribution activities through our national branch network. Today, the bank's signature community engagement initiative for the underprivileged is the Woori Love Sharing Program. Under this program, our 33 regional business headquarters select social welfare centers that support underprivileged elderly citizens, infants and the disabled, create sisterhood ties and provide regular volunteer services led by employees. At the end of every year, the scope of our support expands to include other social welfare

agencies through a wide range of social contribution campaigns. We also review and share social contribution activity best practices from each department engaged in social contribution campaigns, as well as the bank's headquarters, to promote the spread of a culture of sharing within the organization.

#### • Sponsoring Living Necessities for the Underprivileged

It is with great joy that Woori Bank makes its warm-hearted wishes a reality for people in the run-up to important national holidays such as Lunar New Year and Korean Thanksgiving. During the Lunar New Year holidays in 2016, for example, we made dumplings with multicultural families at a social welfare center for elderly people in Gwanak-gu, Seoul, delivering dumplings along with living supplies to seniors who



are members of the center. Later that year, as Korean Thanksgiving Day approached, our employees volunteered their time to make Songpyeon (Korean traditional rice cakes) with residents of Myeonghwiwon Social Welfare Center for the mentally challenged in Ansan. The 2016 event was of particular significance because Myeonghwiwon Ansan was established by Lee Bang Ja, the wife of King Yeong Chin, who also served as the second president of Korea Cheonil Bank (the forerunner of Woori Bank), in promotion of social welfare for the mentally challenged.

• Put Love First Blood Donation Campaign

Woori Bank's Put Love First Blood Donation Campaign, which is specifically aimed at helping children from low-income families fight leukemia, a variety of children's cancers, and other hard-to-cure diseases marked its 11th anniversary in 2016. During the campaign, which we usually run in July and August when the blood donation rate is relatively low across the country, employees voluntarily participate in the blood drive at our branch offices nationwide and present their blood donation certificates to children most in need and those suffering from rare diseases, as well as subsidies for medical bills on behalf of Woori Bank.



 **HAPPINESS**

**Happiness through Sharing**

• Woori Care Fund and Woori Children's Care Fund

Woori Bank regularly encourages employees to donate voluntarily to good causes. In fact, most of our employees make donations from their monthly paychecks to the Woori Care Fund and Woori Children's Care Fund. The Woori Care Fund finances our more than 80 annual social contribution programs, while the Woori Children's Care Fund provides funding for a number of activities for underprivileged children, as well as providing food for underfed children.

• Sisterhood Ties with Local Childcare Centers

With strong sisterhood ties to local community centers for children, Woori Bank hosts an annual skating competition for children. In January 2016, we invited kids from local community centers to a winter sports event at the ice rink located in front of Seoul City Hall. That same year, a total of 200 children benefited from the biannual

scholarships we offer to local community centers for children through the Woori Bank Dream Support Scholarship program. Furthermore, we invited boys and girls from rural villages, which often lack access to cultural/social events, to visit Seoul and go sightseeing around Gyeongbok Palace and some nearby museums.

 **HOPEFULNESS**

**Communication & Harmony for Hopefulness**

• Global Social Contribution Activities

As a responsible global financial institution, Woori Bank makes use of its vast overseas network, which includes 250 branches around the world, to effectively deal with social issues that local communities are faced with worldwide through social contribution activities. In fact, we held a Sharing Hope Campaign with new employees of the bank to help children of climate change refugees in October and December 2016. We donated T-shirts that featured drawings from our employees with the aim of delivering hope as well as ready-to-use therapeutic foods for undernourished children who have been displaced. Our Bangladesh branch was even involved in a waste disposal campaign and environmental awareness improvement project, both of which were meant to address environmental issues in developing South and Southeast Asian countries.

• Woori Multicultural Families Scholarship Foundation

Woori Bank and the subsidiaries of the former Woori Financial Group collectively established the Woori Multicultural Scholarship Foundation in 2012 as a way to assist children from multicultural families. This foundation also engages in various projects that help multicultural families to plant firmer roots in Korean society. In June 2016, we awarded scholarships to 400 children from multicultural families and marriage migrants, providing relief from the economic burden of tuition fees, while also providing education programs on economics, finance, and Korean culture in the hopes that we can help them quickly and effectively adjust to Korean society. Moreover, on the 5th Woori Wedding Day event, we arranged joint wedding ceremonies for 10 multicultural couples who had not been able to have a wedding ceremony due to a lack of funds.



# Woori Smile Microcredit

Woori Bank is engaged in microcredit to spearhead efforts in practicing socially responsible banking by supporting financially struggling, socially vulnerable and underbanked customers.

In 2009, Woori Bank led in the contribution of KRW 10 billion per year, totaling KRW 50 billion over five years, together with the former Woori Financial Group and its affiliates, to establish and operate the Woori Microcredit Foundation. The foundation appointed well-known 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.



Number of branches

9



Number of employees

28

## Major Performance Results of the Microcredit Foundation

By extending support to the financially vulnerable, the socially neglected and those who lack financial access, we extended microcredit worth KRW 279 billion in 2015, leading the way in practicing socially responsible financing. Microcredit services were provided through a range of different products: Woori New Hope Seed for low-credit low-income customers as well as Transit Loan, which help the financially excluded transfer high-interest loans to low-interest ones.

Through microcredit services, Woori Bank extended a total of KRW 112.7 billion in credit via 9,338 loans through 2016. To stay true to the goal of bolstering customer self-sufficiency through microcredit assistance, we saw a tremendous increase in the volume of microcredit loans extended throughout the year by approaching customers directly and developing customized products.

Woori Bank extended approximately KRW 17.9 billion in credit in 1,778 loans throughout 2016.

Woori Bank is proud to make this support available so that recipients can become self-sustainable through one-on-one consulting/counselling and microcredit events via visits aimed at providing counseling services, offering microcredit services, holding special microfinance events at traditional markets, and extending a helping hand at shorthanded workplaces.



Woori Bank tops the 2016  
Miso Microfinance Foundation  
Performance Review of  
five Korean banks & 'S' grade

**S** grade

(by Korea Inclusive Finance Agency)

### Key Products of the Microcredit Foundation

#### • Business Start-up Loans

For registered entrepreneurs to start a new small business

#### • Working Capital Loans

For individual entrepreneurs who have already been in business for over six months to purchase products, raw materials, etc.

#### • Facility Improvement Loans

For individual entrepreneurs who have already been in business for over six months to improve business site facilities.

#### • Sunshine Loans for University Students and Young People

Emergency funding for young people and university students who are under 29 years of age (under 31 for men who fulfilled their military duties).

### Microcredit Financing 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 promote these roles and trends 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 improvement in living standards.

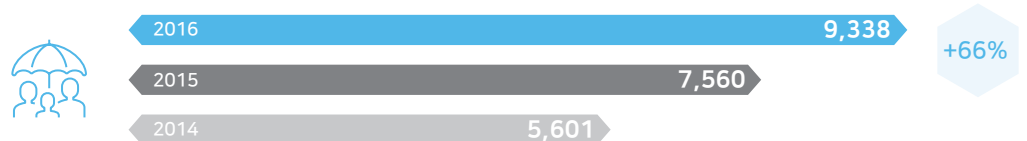


### Woori Smile Microcredit's Cumulative Performance

(Unit:KRW billion)



(Unit:cases)



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**Audit Report**



**Financial  
Statements**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## 1. Overview

In 2016, challenging market environments abounded in the global economy in the aftermath of the Brexit referendum, spreading protectionism and nationalistic economic policies triggered by the presidential election of Donald Trump in the U.S. At the same time, trade friction with China over THAAD, steering the shipbuilding and shipping industries and the resultant business restructuring, coupled with contracting domestic consumption over political instability, adversely affected the domestic market environment.

Amid the overall economic slowdown and low-interest rate trends in the wake of base rate cuts in June 2016, Korea's banking industry continued serving the diverse financial needs of customers through consistent profit-oriented marketing strategies and expansion of low-cost deposits in pursuit of stable profitability, while improving their financial soundness through effective risk management practices.

For its part, Woori Bank succeeded in its 16-year quest for privatization, providing an opportunity to move forward under a new vision.

The seven major shareholders-Tongyang Life, Kiwoom Securities, Korea Investment Securities, Hanwha Life Insurance, IMM PE, Eugene Asset management and Mirae Asset Global Investments-have all purchased shares in the bank that range from 3.69 percent to 6.0 percent, totaling a 29.69 percent stake in Woori Bank, from the Korea Deposit Insurance Corporation. Five of these companies have appointed outside directors to the bank. This has put Woori Bank under a new corporate governance structure of several major oligopolistic shareholders with enhanced autonomy and accountability for management activities in line with the goal of a beginning a "A Better Tomorrow, A Stronger Bank."

Financial performance results were also remarkable in all aspects of profitability, soundness and growth. Despite a continued challenging market environment with prolonged low-interest rate trends, Woori Bank outperformed its record from the previous year in terms of net income in the first nine months of 2016 backed by outstanding marketing activities. On top of that, soundness significantly improved with all relative indicators pointing upwards-NPL ratio, bad debt expense and delinquency ratio-thereby assuaging market concerns.

Woori Bank also excelled in generating future growth engines throughout 2016. The bank was the first in the industry to launch a mobile messenger service, WiBee Talk, followed by WiBee Members and WiBee Market, to complete the four components of the WiBee platform inclusive of the existing WiBee Bank service that it introduced the year before.

On the global front, the bank focused on markets with high growth potential, specifically Southeast Asian countries, to expand its global network. As a result, the bank boasted 250 networks worldwide, the most among all Korean commercial banks, as of the end of the 2016, setting the stage the bank to become one of Asia's top 10-and the world's top 50-financial institutions in the near future.

As it starts out 2017 on a stronger note, Woori Bank is poised to stride into a brighter future as a rising total financial service provider, with its 118 years of history standing firmly behind it.

Through the development of new growth engines, we are determined to broaden our financial reach as a stronger bank with healthy fundamentals.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Key Management Indicators

(Unit:%)

		2016 (183 <sup>rd</sup> term)	2015 (182 <sup>nd</sup> term)	2014 (181 <sup>st</sup> term)
Profitability	Return on Assets (ROA)	0.41	0.37	0.21 <sup>Note 2)</sup>
	Return on Equity (ROE)	6.36	5.69	3.55 <sup>Note 2)</sup>
Asset Quality	Delinquency Ratio (Bank)	0.46	0.82	0.88
	NPL Ratio (Bank)	0.98	1.47	2.10
	NPL Coverage Ratio(Bank)	165.0	121.5	97.2
Capital Adequacy	Common Equity Tier 1 Ratio	10.50	8.47	8.96
	Tier 1 Capital Ratio	12.68	10.43	10.69
	Total Equity Ratio	15.29	13.66	14.25

Note 1) Profitability and capital adequacy figures are based on consolidated financial statements and asset quality figures are based on separate financial statements

Note 2) The above figures do not reflect the one-off factors arising from corporate sell-offs and/or spin-offs. In consideration of the one-off factors arising from the disposal and/or spin-offs of subsidiaries in the 181st term, ROA and ROE stand at 0.41 percent and 7.06 percent, respectively.

## 2. Financial Position & Business Performance Results

### A. Growth

(Unit:KRW trillion)

	2016 (183 <sup>rd</sup> term)	2015 (182 <sup>nd</sup> term)	Change
Total assets	310.7	291.9	6.4%
Loans and receivables	258.4	244.8	5.6%
Loans in KRW	191.3	185.2	3.3%
Loans in foreign currencies	14.1	13.1	7.6%
Bills bought in foreign currencies	7.8	6.6	18.2%

Note) Based on the Korean version of International Financial Reporting Standards (K-IFRS) consolidated financial statements

As of the end of 2016, Woori Bank's total assets (consolidated basis) stood at KRW 310.7 trillion, up KRW 18.8 trillion, or 6.4 percent, from the previous year. Loan assets rose by KRW 13.6 trillion, or 5.6 percent, year on year to reach KRW 258.4 trillion, with KRW 191.3 trillion of these extended in Korean won (KRW). The won-denominated loan growth rate stood at 3.3 percent for this same period. This can be attributed to our asset growth strategy of improving asset quality through quality asset-oriented growth and lower risk-weighted assets to achieve an adequate level of capital adequacy.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### B. Profitability

(Unit: KRWmillion, %)

	2016 (183 <sup>rd</sup> term)	2015 (182 <sup>nd</sup> term)	2014 (181 <sup>st</sup> term)
<b>Operating profit</b>	<b>1,574,206</b>	<b>1,351,586</b>	<b>897,708</b>
1. Net interest income	5,019,544	4,761,900	4,493,018
2. Net fees & commissions income	937,131	976,796	917,015
3. Dividend income	184,510	102,923	96,812
4. Net gain on financial instruments at fair value through profit or loss	114,387	240,342	189,912
5. Net gain (loss) on available-for-sale financial assets	(1,035)	(3,281)	(68,924)
6. Impairment losses due to credit loss	(834,076)	(966,646)	(1,096,940)
7. General and administrative expenses	(3,478,476)	(3,150,387)	(2,958,919)
8. Other net operating expenses	(367,779)	(610,061)	(674,266)
<b>Non-operating income (loss)</b>	<b>(20,817)</b>	<b>100,360</b>	<b>(63,313)</b>
<b>Net income before income tax expense</b>	<b>1,553,389</b>	<b>1,451,946</b>	<b>834,395</b>
<b>Income tax expense</b>	<b>275,856</b>	<b>376,554</b>	<b>288,195</b>
<b>Net income from continuing operations</b>	<b>1,277,533</b>	<b>1,075,392</b>	<b>546,200</b>
<b>Net income (loss) from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>661,769</b>
<b>Net income</b>	<b>1,277,533</b>	<b>1,075,392</b>	<b>1,207,969</b>
1. Net income attributable to owners	1,261,266	1,059,157	1,213,980
(1) Income from continuing operations	1,261,266	1,059,157	435,289
(2) Income from discontinued operations	-	-	778,691
2. Net income attributable to non-controlling interests	16,267	16,235	(6,011)
(1) Income from continuing operations	16,267	16,235	110,911
(2) Income from discontinued operations	-	-	(116,922)

Note) Based on consolidated K-IFRS financial statements

As of the end of 2016, Woori Bank's net income reached KRW 1,261.2 billion (consolidated, controlling interests).

Net interest income was up 5.4 percent year on year to stand at KRW 5,019.5 billion for 2016, thanks to the bank's profit-oriented marketing strategies and low-cost deposit increase efforts in the face of a base rate cut by the Bank of Korea in June 2016. The drop in the net interest margin slowed starting in the fourth quarter of the year and interest profits are expected to rise as the Korean central bank is predicted to raise market interest rates in the wake of the U.S. central bank's rate hikes. Also, non-interest income surged by 22.8 percent from the previous year to KRW 867 billion in 2016. As the bank set its goal for 2017 at strengthening wealth management capabilities with strategies of catering to the rising demand of personalized wealth management advisory services in tandem with the nation's aging society and growing single-person households, its efforts to take the lead in the wealth management market will lead to growth in non-interest income.

Although general administrative expenses had a temporary rise in one-off costs, which was mainly due to the additional lay-off expenses, the expected higher efficiency in personnel and channel operations and bank-wide cost-saving efforts will help us stabilize general administrative expenses at an adequate level.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### C. Asset Quality

(Unit:KRW 100 million)

	2016 (183 <sup>rd</sup> term)		2015 (182 <sup>nd</sup> term)		2014 (181 <sup>st</sup> term)
	Indicators	Change	Indicators	Change	Indicators
Non-performing loans	21,121	-9,888	31,009	-9,207	40,216
Non-performing loan ratio	0.98	-0.49	1.47	-0.63	2.10
NPL Coverage ratio <sup>Note 1)</sup>	165.04%	43.51%p	121.53%	24.37%p	97.16%
Delinquency ratio <sup>Note 2)</sup>	0.46%	-0.36%p	0.82%	-0.06%p	0.88%

Note 1) The NPL coverage ratio excluding loan loss provisions: 84.48% as of the end of 2016

Note 2) Delinquency ratio before account reconciliation

In 2016, Woori Bank's asset quality showed remarkable achievements.

Non-performing loans (NPL) have continued decreasing since 2015, with the NPL ratio dropping by 49 basis points year on year, from 2.10 percent in 2014 to 1.47 percent in 2015 and to 0.98 percent (0.91 percent if exposure to the three troubled Korean shipbuilders are excluded) in 2016. The NPL coverage ratio continued improving over the same period, from 97.16 percent in 2014 to 121.53 percent in 2015 to 165.04 percent in 2016. This remarkable growth can be attributed to our consistent effort towards quality corporate client-oriented asset growth and tight management of existing asset quality, while reducing the volume of loans extended to businesses on our watchlist in specific industries, including shipping, shipbuilding, construction, and real estate development & supply.

As a result of our asset quality improvement efforts, our delinquency ratio also significantly fell to 0.46 percent in 2016. Most notably, the substandard and below loans also declined by 25.1 percent from the previous year in 2016, foretelling continued improvement in Woori Bank's loan asset quality. Woori Bank will continue its efforts towards enhancing its asset quality at a stable level with a thorough back-door-locking approach in 2017 even amid unstable economic conditions.

### D. Capital Adequacy

(Unit:%)

	2016 (183 <sup>rd</sup> term)	2015 (182 <sup>nd</sup> term)	Change
Common Equity Tier 1 ratio(CET 1 ratio)	10.50	8.47	8.96
Tier 1 capital ratio	12.68	10.43	10.69
Total capital ratio (BIS ratio)	15.29	13.66	14.25

In 2016, Woori Bank achieved significant growth in capital adequacy equivalent to the increase it reported for asset quality. Capital ratios significantly improved, exemplified by a 10.50 percent Common Equity Tier 1 ratio (CET 1 ratio), 12.68 percent Tier 1 capital ratio and 15.29 percent Total capital ratio (BIS ratio). These figures meet the requirements of the Basel III guidelines, indicating that the bank's loss absorbing capacity (LAC) meets common standards. These improvements are partially due to regulatory changes, which resulted in a revision to assessment guidelines like loan loss provisions being counted as common equity and the approval of changed internal ratings-based approach (retail card assets) for credit risks under the Basel III guidelines, resulting in a decrease in the risk-weighted asset of Woori Card. Going forward, Woori Card will continue its efforts to generate steady profits and control risk-weighted assets to maintain its capital ratio at an adequate level.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## 3. Liquidity, Sources & Applications of Fund

### A. Liquidity Ratios

(Unit:%)

	2016 (183 <sup>rd</sup> term)	2015 (182 <sup>nd</sup> term)	2014 (181 <sup>st</sup> term)
Liquidity Coverage Ratio (LCR) <sup>Note 1)</sup>	109.61	106.67	123.10
Foreign currency liquidity ratio	Before applying liquidity weight	131.47	130.30
	After applying liquidity weight	121.70	120.71

Note 1) The LCR figures differ by term due to regulatory revisions: Figures for the 183rd and 182nd terms represent LCRs, while those for the 181st term stand for liquidity ratio in KRW

\* LCR (consolidated, including foreign currency) = high liquidity assets/monthly net cash outflows

(According to standards, LCR should remain higher than 80 percent, demanding an annual increase of 5 percent to surpass the 100 percent level as of 2019)

\*\* Liquidity ratio in KRW (separated) = (maturity of one month or less) assets/liabilities (higher than 100 percent by financial supervisory standards)

In its liquidity management practices, Woori Bank fully abides by the new requirements (80% in 2015 and 85% in 2016) for the LCR—the new liquidity indicator adopted in 2015. In tandem with stricter regulations, however, the bank will need a more sophisticated LCR management framework in consideration of profitability. As a result, it is developing a Basel III liquidity regulatory ratio system for tight management of these indicators.

### B. Sources of fund (Bank Account)

(Unit:KRW million, %)

	2016 (183 <sup>rd</sup> term)			2015 (182 <sup>nd</sup> term)			2014 (181 <sup>st</sup> term)			
	Average balance	Interest rate	%	Average balance	Interest rate	%	Average balance	Interest rate	%	
Funds in KRW	Deposits in KRW	183,440,285	1.38	65.35	169,919,620	1.70	64.76	157,994,039	2.22	66.89
	Certificates of Deposit	3,466,223	1.70	1.23	1,879,832	1.92	0.72	1,983,619	2.71	0.84
	Borrowings in KRW	6,709,080	1.45	2.39	6,689,135	1.77	2.55	5,675,238	2.31	2.40
	Call Money in KRW	1,159,188	1.32	0.41	1,370,253	1.62	0.52	984,378	2.28	0.42
	Others	18,532,241	2.60	6.60	18,944,493	2.95	7.22	15,925,666	3.69	6.74
	Subtotal	213,307,017	1.50	75.98	198,803,334	1.82	75.77	182,562,940	2.36	77.29
Funds in foreign currencies	Deposits in foreign currencies	14,838,684	0.47	5.29	11,568,322	0.44	4.41	7,973,812	0.44	3.38
	Borrowings in foreign currencies	8,595,575	0.86	3.06	9,245,073	0.53	3.52	6,357,072	0.50	2.69
	Call money in foreign currencies	1,401,294	0.70	0.50	1,199,484	0.53	0.46	1,242,371	0.54	0.53
	Debentures in foreign currencies	3,950,614	2.54	1.41	4,851,289	2.72	1.85	5,559,305	3.51	2.35
	Others	531,877	0.29	0.19	650,409	0.66	0.25	918,010	1.03	0.39
	Subtotal	29,318,044	0.87	10.44	27,514,577	0.88	10.49	22,050,569	1.26	9.34
Others	Total capital	19,617,484	-	6.99	18,501,137	-	7.05	18,225,902	-	7.72
	Provisions	412,553	-	0.15	640,666	-	0.24	594,945	-	0.25
	Others	18,070,427	-	6.44	16,907,843	-	6.44	12,779,094	-	5.41
	Subtotal	38,100,463	-	13.57	36,049,647	-	13.74	31,599,941	-	13.38
<b>Total</b>	<b>280,725,524</b>	<b>1.23</b>	<b>100.00</b>	<b>262,367,557</b>	<b>1.47</b>	<b>100.00</b>	<b>236,213,449</b>	<b>1.94</b>	<b>100.00</b>	

Note 1) Deposits in KRW = Deposits in KRW – Deposit checks & bills in process of collection – reverse deposits with BOK – inter-bank adjustment funds (call loans)

\* Deposit checks & bills in process of collection = total checks and bills in process of collection – checks & bills on clearing for overdrafts – inter-bank adjustment funds (call money)

\* Interests for calculating interest rates are the sum of interests on deposits and installment deposits and deposit insurance premiums.

Note 2) Deposits in foreign currencies = Deposits in foreign currencies + off-shore deposits in foreign currencies

Note 3) Foreign currency borrowings = Foreign currency borrowings + due to BOK in foreign currency + off-shore borrowings in foreign currencies

Note 4) Finance debentures issued in foreign currencies = Finance debentures issued in foreign currencies + offshore finance debentures issued in foreign currencies

Note 5) Based on K-IFRS financial statements

Note 6) Excluding merchant banking accounts



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### C. Applications of Fund (Bank Account)

(Unit:KRW million, %)

	2016 (183 <sup>rd</sup> term)			2015 (182 <sup>nd</sup> term)			2014 (181 <sup>st</sup> term)		
	Average balance	Interest rate	%	Average balance	Interest rate	%	Average balance	Interest rate	%
Funds in KRW									
Deposits in KRW	3,171,599	1.34	1.13	2,580,842	1.72	0.98	2,670,185	2.37	1.13
Marketable securities in KRW	33,880,119	2.58	12.07	32,994,958	2.79	12.58	31,496,840	3.40	13.33
Loans in KRW	189,079,324	3.10	67.35	176,631,188	3.42	67.32	161,296,709	4.18	68.28
Advance payments on acceptances and guarantees	51,254	0.89	0.02	64,533	1.89	0.02	69,099	4.27	0.03
Call loans in KRW	3,581,382	1.41	1.28	2,083,053	1.64	0.79	2,186,891	2.32	0.93
Privately placed bonds	247,292	5.19	0.09	280,702	5.98	0.11	470,988	4.12	0.20
Credit card receivables	24	-	0.00	-	-	-	3,967,556	-	-
Others	4,580,215	2.04	1.63	4,313,781	2.61	1.64	(3,073,009)	3.50	1.68
Allowance for doubtful accounts in KRW	(1,925,177)	-	(0.69)	(2,482,955)	-	(0.95)	199,085,264	-	(1.30)
Subtotal	232,666,033	2.98	82.88	216,466,103	3.31	82.50	2,044,084	4.06	84.28
Funds in foreign currencies									
Deposits in foreign currencies	3,761,286	0.43	1.34	2,872,735	0.28	1.09	1,073,932	0.47	0.87
Marketable securities in foreign currencies	1,752,884	1.13	0.62	1,375,146	1.51	0.52	12,364,024	0.85	0.45
Loans in foreign currencies	13,371,873	1.95	4.76	14,206,736	1.65	5.41	1,347,232	1.71	5.23
Call loans in foreign currencies	2,940,858	0.85	1.05	2,040,819	0.59	0.78	5,559,305	0.94	0.57
Bills bought in foreign currencies	7,110,164	1.53	2.53	6,899,811	1.38	2.63	5,425,038	1.40	2.30
Others	13,829	9.72	0.00	17,047	6.96	0.01	19,509	6.36	0.01
Allowance for doubtful accounts in foreign currencies	(312,211)	-	(0.11)	(191,224)	-	(0.07)	(239,896)	-	(0.10)
Subtotal	28,638,685	1.51	10.20	27,221,069	1.37	10.38	22,033,923	1.46	9.33
Others									
Cash	1,169,566	-	0.42	1,116,715	-	0.43	1,076,521	-	0.46
Property, plant and equipment for business	2,325,893	-	0.83	2,328,130	-	0.89	2,358,135	-	1.00
Others	15,925,347	-	5.67	15,235,540	-	5.81	11,659,606	-	4.94
Subtotal	19,420,807	-	6.92	18,680,385	-	7.12	15,094,262	-	6.39
<b>Total</b>	<b>280,725,524</b>	<b>2.62</b>	<b>100.00</b>	<b>262,367,557</b>	<b>2.87</b>	<b>100.00</b>	<b>236,213,449</b>	<b>3.56</b>	<b>100.00</b>

Note 1) Deposits in KRW = Deposits in KRW – reverse deposits with BOK

Note 2) Marketable securities in KRW = Marketable securities in KRW + Loaned securities in Won

\* Interest for calculating interest rates = Securities interests (including dividend received) + Evaluation profit (net) + gain on redemption of securities (net) + excluding the portion of gain from stock transactions (net) out of gains on sales of securities

Note 3) Loans in KRW = Loans in KRW + Checks & bills on clearing for overdrafts

\* Interest for calculating interest rates = Interest on loans in KRW – Contribution to the Korea Credit Guarantee Fund

Note 4) Deposits in foreign currencies = Deposits in foreign currencies + offshore deposits in foreign currencies

Note 5) Interest on securities in foreign currency = Interest on securities in foreign currency + Loaned securities in foreign currency

\* Interest for calculating interest rates = Securities interests (including dividend received) + Evaluation profit (net) + Gain on redemption of securities (net) + Excluding the portion of gain from stock transactions (net) out of gains on sales of securities

Note 6) Loans in foreign currencies = Loans in foreign currencies + offshore loans in foreign currencies + inter-bank loans in foreign currencies + loans from foreign borrowings + domestic import issuance bills

Note 7) Cash = Cash – total checks & bills in process of collection

Note 8) Property, plant and equipment for business = property, plant and equipment for business – accumulated depreciation

Note 9) Based on K-IFRS financial statements

Note 10) Excluding merchant banking accounts

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## 4. Other Issues Required for Informed Investment Decisions

### A. Environmental Impacts

As a financial service provider, Woori Bank's banking and trusts businesses do not have an environmentally destructive impact. Therefore, the bank is not currently paying, or is likely to pay in the future, any environmental remediation/restoration expenses. It has not been subject to, or likely to be subject to in the future, administrative measures by the government or environmental authorities. Woori Bank, however, reports to the government on its greenhouse gas emissions and energy consumption as a target management company on its buildings designated under Paragraph 5, Article 42 of the Framework Act on Low-Carbon, Green Growth.

	2016	2015	2014
Greenhouse Gas Emissions (tCO2eq)	88,472	91,322	93,676
Energy Consumption(TJ)	1,315	1,360	1,421

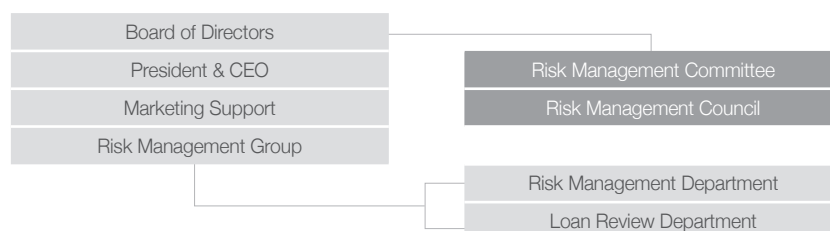
### B. Risk Management

#### (1) Risk Management Policy Overview

##### (A) Objective and Policies

- ① Objective : The risk management objective is to identify the sources of risks and measure the size and appropriateness to make and implement decisions to avert or mitigate the risks, thereby enhancing the soundness of investment assets and holding assets.
- ② Policies : Risk management policies are purported at maintaining the overall asset quality of the bank at the optimal status by applying the risk amounts to its assets by preemptively detecting the sound creditability and counterparty risks up until the point of asset holding through constant management of credit lines based on the credit assessment of counterparties against credit ratings.

##### (B) Risk Management Organization



##### ① Risk Management Committee

- Top Risk Management Decision-making Body
- Composition: three outside directors and one non-standing director
- Major Items for Resolution
- Setting the tone of risk management master plans
- Credit Line Approval and Capital Allocation
- Meeting Cycle: Quarterly

##### ② Risk Management Council

- Composition: Head of the Business Support Division (Chairman) and the heads of the six Groups
- Major Items for Deliberation
- Reviewing risks of new products
- Determining internal interest rates guidelines
- Fund supply and demand programs (liquidity management)
- Meeting Cycle: Quarterly

#### (C) Risk Management Strategies & Procedures

- ① Strategies: While disposing of excess risks and taking an appropriate level of risks, we strategically pursue asset soundness and profitability by maximizing profit to risks.
- ② Procedures
  - Risk recognition: Analyzing various risks possibly associated with the bank's business activities
  - Risk measurement/assessment: Determining risk measurements by risk type, we measure risk size and determine if the size is appropriate by utilizing measurement systems
  - Risk controlling: Controlling risks by determining the risks subject to daily, monthly and quarterly reports to avert/mitigate risks or maintain risks at appropriate levels
  - Monitoring/Reporting risks: In proper response to risks, we continuously monitor risk levels and define the route, content and cycle of reporting.

#### (2) Credit Risk

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### (A) Definition

Credit risk represents the possibility of financial losses incurred when the counterparty becomes insolvent or rejects transactions within the period provided in the contract. The goals of credit risk management are to maintain the bank's credit risk exposure to a permissible degree and to optimize its rate of return considering such credit risk.

### (B) Method

- ① Credit Line Management : Relying on aggregation management, total exposure management and portfolio management, we set and manage appropriate credit lines by aggregation, corporate and industry.
  - Aggregation management: By aggregating the exposures of borrowers who share credit risks, we put them under a single credit risk aggregation management system to take into control the bank's exposure to credit risks.
  - Total exposure management: In order to prevent a concentration of loans, we calculate corporate value based on its future cash flow and set the ceilings per borrower within the limit of capability of repaying borrowings from revenue.

## (3) Operational Risk

### (A) Definition

Woori Bank defines the operational risk that could cause a negative effect on capital resulting from inadequate internal processes, labor work and systematic problems or external factors.

### (B) Operational Risk Management

In order to reinforce its foreign competition, reduce the amount of risk capital, enhance operational risk management capabilities and prevent any unexpected occasions, Woori Bank has in place the operational risk management system it developed under Basel II since December 2005. The objectiveness of our operational risk management system has been tested internally and by an independent third party. The advanced measurement approach also obtained the approval for application from the Financial Supervisory Service in June 2009 and came in use as of June 30.

#### ① Operational Risk Management

- Risk Self Assessment (RSA): Applying to the bank's entire business premises, the RSA refers to all procedures related to risk management activities, from distinguishing material operational risks and assessing the controlling activities to coming up with countermeasures to eliminate/improve the risks.
- Key Risk Indicators (KRI): KRIs are used for determining and monitoring risks and tracking the operational risks.
- Loss data: Woori Bank has constructed a systemic framework of collecting and managing internal loss data on a bank-wide level under the operational risk management system. It also receives external loss data from SAS Global Data and the Korea Operational Risk Data Exchange Committee for scenario analysis and risk identification.
- Scenario analysis: Operating risks characteristically lack of accumulated loss data, making it difficult to take a statistical approach. To measure such operations risks, we predict potential loss amounts and frequencies of possible operational risk events based on various information, such as internal data, external data and opinions of our experts working at each department and branch.
- Business Continuity Plan (BCP): Woori Bank has in place business continuity plans for organizational structure, risk assessment, business impact analysis, alternate location for recovery, and drills so that it can restore and regain core business parts in the event of cessation in its business operations due to unexpected factors like disasters and calamities.

#### ② Operational Risk Measurement

- Woori Bank takes an advanced measurement approach and its consolidated subsidiaries take a basic indicator approach to measure operational risk capital amounts.
- The basic indicator approach sets 15 percent of the bank's total income as operational risk capital.
  - The advanced measurement approach takes 99.9 percentile value of annual total loss distribution induced from the integrated loss distribution approach that combines loss data and scenarios to calculate operational risk capital. Based on the eight business domains and seven event types under Basel II, we add a back-office process, which is common bank-wide, setting the 9X7 matrix as the operational risk capital amount measuring unit in consideration of the four basic factors (internal data, external data, scenarios, business environment and internal control factors) for measuring operational risk capital.
  - Woori bank does not rely on insurance policy to mitigate its operational risk capital amount.

## (4) Market Risk

### (A) Definition

Market risk refers to potential losses that incur from trading positions of a financial institution according to changes in market factors, such as interest rates, stock prices and exchange rates. Market risks arise from changes in interest rates and exchange rates on unsettled financial instruments. Thus, all contracts are exposed to a certain level of volatility according to interest rates, credit spread, exchange rates and equity securities prices.

Market risks can be classified as general market risks and individual risks. General market risks represent losses arising from price changes in relation to some events that have an impact on all markets, such as interest rates, stock prices and exchange rates. Individual risks are losses from price changes related to individual events of issuing securities, including bonds and stocks.

### (B) Market Risk Management

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Market risk management entails the entire process of identifying the sources of risks by risk factor on trading to measure the size and assess the appropriateness of the market risk sizes, then to make decisions to avert, share or mitigate risks.

We take both a standard approach and internal model to measure market risks. The standard approach is used for calculating individual risks of market risk capital charge, while the internal model is for calculating the general market risks of capital charge and for managing internal risks.

Relying on the internal model approved by the Financial Supervisory Service, Woori Bank uses the historical simulation method at a 99 percent confidence level, once out of 10 days of holding, to measure Value at Risk (VaR) and calculate the market risk capital charge for calculating the BIS ratio. For internal control purposes, the bank controls daily limits by measuring VaR at 99 percent confidence level per day. Model validation is carried out through daily back-testing of the VaR measurement and actual profit/loss.

In addition to VaR, we perform monthly stress testing to measure the loss amount in the event of abnormal market situations, such as IMF borrowings or a global financial crisis.

Market risk limits, including the VaR limits, loss limits and risk capital limits, are managed by Business Group, department/team and risk type and annually set by the Risk Management Committee. Limits for the subordinate units, excluding the derivatives books, are set by position-related departments within the given limits. Compliance to the limits are monitored by the Risk Management Departments independently from the working-level departments, and the monitoring reports are made to the Risk Management Council and Risk Management Committee on a regular basis.

### (5) Liquidity Risk

#### (A) Definition

Liquidity risk management is aimed at preventing potential losses to a financial institution arising from a shortage of funds through effective management of liquidity crunch due to disparity in maturity of assets and liabilities or unexpected outflow of funds. Therefore, derivatives products that involve the cash flow off balance account, as well as all assets and liabilities appearing on financial statements, are subject to our liquidity risk management activities.

#### (B) Methods

##### ① Funding/Application Status Analysis by Maturity (Maturity Gap Model)

In managing liquidity risk, we determine the maturity gaps and gap ratios from the cash flow statements by time groups (remaining maturities or contract periods) by grouping assets and liabilities according to a different ALM chart of accounts. Based on the outcomes, we maintain the gap ratios within pre-determined target ratios (limits).

Our daily ALM system allows for inquiring maturity classification reports by business group, while providing daily liquidity ratios to identify the liquidity risk management indicators and status at related departments.

These maturity-based reports of each business group are available on the daily ALM system and we provide daily liquidity ratio reports to related departments (Financial Planning Department, Treasury Department and all business groups) to keep them up to date with liquidity risk management indicators and status.

##### ② Contingency Planning & Implementation

In effective response to capital outflow and funding risks arising from abrupt and unforeseeable changes in market environments, we prepare bank-wide contingency plans to conduct regular monitoring on all issues with possible liquidity risks on a daily and weekly basis.

### (6) Risk Management of Derivatives Products

Derivatives transactions are set to hedge any risks of loss in assets of holding, but they entail characteristic complexity and inherent risk factors. Therefore, Woori Bank caps the transactions and losses to hedge excessive loss potentials by limiting the transaction volumes. Prior to any atypical transactions (hybrid derivatives) or exotic derivatives transactions, when necessary, the Risk Management Department reviews potential risks in advance and then moves to the Risk Management Council for deliberation. Additionally, we minimize potential risks of losses by dividing the job processes into front office, middle office and back office so as to keep in check all procedures related to derivatives transactions.



# INDEPENDENT AUDITORS' REPORT

**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 its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2016 and December 31, 2015, respectively, and the consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, for the years then 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 audits. We conducted our audits in accordance with Korean Standards on Auditing ("KSAs"). 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.

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 auditors' 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.

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### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2016 and December 31, 2015, respectively, and its financial performance and its cash flows for the years then ended in accordance with K-IFRS.

*Deloitte Ajim LLC*

March 3, 2017

### Notice to Readers

This report is effective as of March 3, 2017, 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, 2016 AND 2015

	December 31, 2016	December 31, 2015
	(Korean Won in millions)	
<b>ASSETS</b>		
Cash and cash equivalents (Note 6)	7,591,324	6,644,055
Financial assets at fair value through profit or loss (Notes 4,7,11,12,18 and 26)	5,650,724	5,132,657
Available-for-sale financial assets (Notes 4,8,11,12 and 18)	20,817,583	17,170,592
Held-to-maturity financial assets (Notes 4,9,11,12 and 18)	13,910,251	13,621,640
Loans and receivables (Notes 4,10,11,12,18 and 45)	258,392,633	244,842,062
Investments in joint ventures and associates (Note 13)	439,012	643,861
Investment properties (Note 14)	358,497	351,496
Premises and equipment (Notes 15 and 18)	2,458,025	2,471,206
Intangible assets and goodwill (Note 16)	483,739	419,806
Assets held for sale (Note 17)	2,342	17,904
Current tax assets (Note 42)	6,229	6,782
Deferred tax assets (Note 42)	232,007	210,597
Derivative assets (Notes 4,11,12 and 26)	140,577	183,128
Net defined benefit assets (Note 24)	70,938	-
Other assets (Notes 19 and 45)	128,846	143,286
Total assets	<u>310,682,727</u>	<u>291,859,072</u>
<b>LIABILITIES</b>		
Financial liabilities at fair value through profit or loss (Notes 4,11,12,20 and 26)	3,803,358	3,460,561
Deposits due to customers (Notes 4,11,21 and 45)	221,020,411	209,141,826
Borrowings (Notes 4,11,12 and 22)	18,769,515	20,033,917
Debentures (Notes 4,11 and 22)	23,565,449	21,898,859
Provisions (Notes 23, 44 and 45)	428,477	516,601
Net defined benefit liability (Note 24)	64,666	99,691
Current tax liabilities (Note 42)	171,192	108,943
Deferred tax liabilities (Note 42)	22,023	19,379
Derivative liabilities (Notes 4,11,12 and 26)	7,221	-
Other financial liabilities (Notes 4,11,12,25 and 45)	21,985,086	16,964,206
Other liabilities (Notes 25 and 45)	299,376	305,174
Total liabilities	<u>290,136,774</u>	<u>272,549,157</u>

(Continued)

	December 31, 2016	December 31, 2015
	(Korean Won in millions)	
<b>EQUITY</b>		
Owners' equity:	20,386,160	19,188,472
Capital stock (Note 28)	3,381,392	3,381,392
Hybrid securities (Note 29)	3,574,896	3,334,002
Capital surplus (Note 28)	286,331	294,259
Other equity (Note 30)	(1,468,025)	(1,547,303)
Retained earnings (Notes 31 and 32)		
(Regulatory reserve for credit loss as of December 31, 2016 and 2015 is 2,255,252 million Won and 1,756,142 million Won, respectively)		
(Regulatory reserve for credit loss to be reserved (reversed) as of December 31, 2016 and 2015 is 182,939 million Won and 499,110 million Won, respectively)		
(Planned provision (reversal) of regulatory reserve for credit loss as of December 31, 2016 and 2015 is 182,939 million Won and 499,110 million Won, respectively)	14,611,566	13,726,122
Non-controlling interests	159,793	121,443
Total equity	<u>20,545,953</u>	<u>19,309,915</u>
Total liabilities and equity	<u>310,682,727</u>	<u>291,859,072</u>

See accompanying notes



# WOORI BANK AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
	(Korean Won in millions, except for per share data)	
Interest income	8,512,312	8,698,235
Interest expense	(3,492,768)	(3,936,335)
<b>Net interest income</b> (Notes 34 and 45)	<b>5,019,544</b>	<b>4,761,900</b>
Fees and commissions income	1,865,470	1,757,340
Fees and commissions expense	(928,339)	(780,544)
<b>Net fees and commissions income</b> (Notes 35 and 45)	<b>937,131</b>	<b>976,796</b>
Dividend income (Note 36)	184,510	102,923
Net gain on financial instruments at fair value through profit or loss (Note 37)	114,387	240,342
Net loss on available-for-sale financial assets (Note 38)	(1,035)	(3,281)
Impairment losses on credit loss (Notes 39 and 45)	(834,076)	(966,646)
General and administrative expenses (Notes 40 and 45)	(3,478,476)	(3,150,387)
Net other operating expenses (Notes 40 and 45)	(367,779)	(610,061)
<b>Operating income</b>	<b>1,574,206</b>	<b>1,351,586</b>
Share of losses of joint ventures and associates (Note 13)	(19,507)	(70,124)
Net other non-operating income (expense)	(1,310)	170,484
<b>Non-operating income (loss)</b> (Note 41)	<b>(20,817)</b>	<b>100,360</b>
<b>Net income before income tax expense</b>	<b>1,553,389</b>	<b>1,451,946</b>
Income tax expense (Note 42)	(275,856)	(376,554)
<b>Net income from continuing operations</b>	<b>1,277,533</b>	<b>1,075,392</b>
<b>Net income</b>		
(Net income after the provision of regulatory reserve for credit loss for the years ended December 31, 2016 and 2015 are 1,094,594 million Won and 576,282 million Won, respectively) (Note 32)	<b>1,277,533</b>	<b>1,075,392</b>
Remeasurement of the net defined benefit liability	34,162	(78,267)
<b>Items that will not be reclassified to profit or loss</b>	<b>34,162</b>	<b>(78,267)</b>
Gain on available-for-sale financial assets	12,586	72,297
Share of other comprehensive gain (loss) of joint ventures and associates	(7,937)	3,295
Gain on foreign currency translation of foreign operations	28,712	33,837
Gain on valuation of cash flow hedge	10,371	-
<b>Items that may be reclassified to profit or loss</b>	<b>43,732</b>	<b>109,429</b>
<b>Other comprehensive income , net of tax</b>	<b>77,894</b>	<b>31,162</b>
<b>Total comprehensive income</b>	<b>1,355,427</b>	<b>1,106,554</b>
<b>Net income attributable to:</b>		
Net income attributable to owners	1,261,266	1,059,157
Net income attributable to non-controlling interests	16,267	16,235
<b>Total comprehensive income attributable to:</b>		
Comprehensive income attributable to owners	1,332,614	1,094,870
Comprehensive income attributable to non-controlling interests	22,813	11,684
<b>Basic and diluted earnings from operations per share</b> (In Korean Won) (Note 43)	<b>1,567</b>	<b>1,301</b>

See accompanying notes

# WOORI BANK AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Capital stock	Hybrid securities	Capital surplus	Other equity	Retained earnings	Controlling interests	Non- controlling interests	Total equity
	(Korean Won in millions)							
<b>January 1, 2015</b>	3,381,392	2,538,823	291,066	(2,393,138)	14,165,358	17,983,501	109,924	18,093,425
Net income	-	-	-	-	1,059,157	1,059,157	16,235	1,075,392
Dividends	-	-	-	-	(504,952)	(504,952)	(824)	(505,776)
Change in ownership interest of investments in consolidated subsidiaries and others	-	-	3,193	-	-	3,193	660	3,853
Gain (loss) on valuation of available-for-sale financial assets	-	-	-	73,691	-	73,691	(1,394)	72,297
Share of other comprehensive income of joint ventures and associates	-	-	-	3,295	-	3,295	-	3,295
Gain (loss) on foreign currencies translation of foreign operations	-	-	-	36,932	-	36,932	(3,095)	33,837
Remeasurement of the net defined benefit liability	-	-	-	(78,204)	-	(78,204)	(63)	(78,267)
Dividends to hybrid securities	-	-	-	-	(183,320)	(183,320)	-	(183,320)
Issuance of hybrid securities	-	795,179	-	-	-	795,179	-	795,179
Retirement of treasury stock	-	-	-	3,481	(3,481)	-	-	-
Appropriation of merger losses	-	-	-	806,640	(806,640)	-	-	-
<b>December 31, 2015</b>	<b>3,381,392</b>	<b>3,334,002</b>	<b>294,259</b>	<b>(1,547,303)</b>	<b>13,726,122</b>	<b>19,188,472</b>	<b>121,443</b>	<b>19,309,915</b>
<b>January 1, 2016</b>	3,381,392	3,334,002	294,259	(1,547,303)	13,726,122	19,188,472	121,443	19,309,915
Net income	-	-	-	-	1,261,266	1,261,266	16,267	1,277,533
Dividends	-	-	-	-	(168,317)	(168,317)	(1,286)	(169,603)
Change in capital surplus of consolidated subsidiaries	-	-	(7,928)	7,930	-	2	-	2
Changes in non-controlling interests due to acquisition of subsidiary	-	-	-	-	-	-	16,823	16,823
Gain on valuation of available- for-sale financial assets	-	-	-	12,296	-	12,296	290	12,586
Share of other comprehensive loss of joint ventures and associates	-	-	-	(7,937)	-	(7,937)	-	(7,937)
Gain on foreign currencies translation of foreign operations	-	-	-	22,436	-	22,436	6,276	28,712
Remeasurement of the net defined benefit liability	-	-	-	34,182	-	34,182	(20)	34,162
Gain on valuation of cash flow hedge	-	-	-	10,371	-	10,371	-	10,371
Dividends to hybrid securities	-	-	-	-	(206,515)	(206,515)	-	(206,515)
Issuance of hybrid securities	-	549,904	-	-	-	549,904	-	549,904
Repayment of hybrid securities	-	(309,010)	-	-	(990)	(310,000)	-	(310,000)
<b>December 31, 2016</b>	<b>3,381,392</b>	<b>3,574,896</b>	<b>286,331</b>	<b>(1,468,025)</b>	<b>14,611,566</b>	<b>20,386,160</b>	<b>159,793</b>	<b>20,545,953</b>

See accompanying notes

# WOORI BANK AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
	(Korean Won in millions)	
<b>Cash flows from operating activities:</b>		
Net income	1,277,533	1,075,392
Adjustments:		
Income tax expense	275,856	376,554
Interest income	(8,512,312)	(8,698,235)
Interest expense	3,492,768	3,936,335
Dividend income	(184,510)	(102,923)
	<u>(4,928,198)</u>	<u>(4,488,269)</u>
<b>Additions of expenses not involving cash outflows:</b>		
Impairment losses on credit loss	834,076	966,646
Loss on available-for-sale financial assets	1,035	3,281
Loss on valuation of investments in subsidiaries and associates	56,264	111,487
Loss on transaction / valuation of derivative instruments (hedging)	98,981	20,982
Loss on hedged items (fair value hedge)	475	56,532
Provisions	34,774	72,062
Retirement benefits	152,609	132,131
Depreciation and amortization of premises and equipment, intangible assets and investment properties	252,031	240,764
Loss on disposal of investments in joint ventures and associates	15,060	10
Loss on disposal of premises and equipment and other assets	9,718	2,707
Impairment loss on premises and equipment and other assets	1,936	2,990
	<u>1,456,959</u>	<u>1,609,592</u>
<b>Deduction of revenues not involving cash inflows:</b>		
Gain on valuation of financial instruments at fair value through profit or loss	75,690	55,773
Gain on valuation of investments in subsidiaries and associates	36,757	41,363
Gain on transaction / valuation of derivative instruments (hedging)	130	59,003
Gain on hedged items (fair value hedge)	99,302	25,235
Reversal of provisions	1,396	854
Gain on disposal of investments in joint ventures and associates	23,457	61,653
Gain on disposal of premises and equipment and other assets	1,885	6,814
Reversal of impairment loss on premises and equipment and other assets	3,581	539
	<u>242,198</u>	<u>251,234</u>
<b>Changes in operating assets and liabilities:</b>		
Financial instruments at fair value through profit or loss	(99,581)	(495,507)
Loans and receivables	(14,433,390)	(23,150,910)
Other assets	219,323	1,922
Deposits due to customers	11,878,628	20,620,287
Provision	34,376	(66,399)
Net defined benefit liability	(261,097)	(255,585)
Other financial liabilities	5,158,055	1,205,411
Other liabilities	(6,163)	(91,116)
	<u>2,490,151</u>	<u>(2,231,897)</u>
<b>Cash received from (paid for) operating activities:</b>		
Interest income received	8,511,349	8,692,851
Interest expense paid	(3,593,358)	(4,355,880)
Dividends received	184,674	100,368
Income tax paid	(251,627)	(534,829)
Net cash provided by (used in) operating activities	<u>4,905,285</u>	<u>(383,906)</u>

(Continued)

	2016	2015
	(Korean Won in millions)	
<b>Cash flows from investing activities:</b>		
Cash in-flows from investing activities:		
Disposal of available-for-sale financial assets	20,395,744	18,426,846
Redemption of held-to-maturity financial assets	8,462,346	6,404,711
Disposal of investments in joint ventures and associates	97,135	75,599
Disposal of premises and equipment	63	18,600
Disposal of intangible assets	4,325	1,782
Disposal of assets held-for-sale	22,723	3,711
Cash in-flow related to derivatives for risk hedge	-	56,956
	<u>28,982,336</u>	<u>24,988,205</u>
Cash out-flows from investing activities:		
Net cash flows through business combination	132,301	38,535
Acquisition of available-for-sale financial assets	23,844,849	16,305,797
Acquisition of held-to-maturity financial assets	8,818,376	7,138,013
Acquisition of investments in joint ventures and associates	43,281	1,098
Acquisition of investment properties	4,428	-
Acquisition of premises and equipment	131,009	129,454
Acquisition of intangible assets	191,161	97,891
Cash out-flow related to derivatives for risk hedge	42,544	3,273
	<u>33,207,949</u>	<u>23,714,061</u>
Net cash provided by (used in) investing activities	<u>(4,225,613)</u>	<u>1,274,144</u>
<b>Cash flows from financing activities:</b>		
Cash in-flows from financing activities:		
Increase in borrowings	8,259,380	12,674,649
Issuance of debentures	15,848,055	13,502,777
Issuance of hybrid securities	549,904	795,179
Change in ownership interest of subsidiaries	-	3,787
	<u>24,657,339</u>	<u>26,976,392</u>
Cash out-flows from financing activities:		
Decrease in borrowings	9,524,626	10,346,919
Repayment of debentures	14,118,720	16,425,353
Payment of dividends	168,317	504,952
Dividends paid on hybrid securities	201,328	179,758
Repayment of hybrid securities	310,000	-
Dividends paid on non-controlling interests	1,286	824
	<u>24,324,277</u>	<u>27,457,806</u>
Net cash provided by (used in) financing activities	<u>333,062</u>	<u>(481,414)</u>
Net increase in cash and cash equivalents	1,012,734	408,824
Cash and cash equivalents, beginning of the period	6,644,055	5,962,861
Effects of exchange rate changes on cash and cash equivalents	(65,465)	272,370
Cash and cash equivalents, end of the period	<u>7,591,324</u>	<u>6,644,055</u>

See accompanying notes



# WOORI BANK AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

### 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 currencies exchange business with approval from the Bank of Korea (“BOK”) and the Ministry of Finance and Economy (“MOFE”).

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 with and into Woori Bank, its wholly-owned subsidiary, as contemplated by the merger agreement dated July 28, 2014, by and between Woori Finance Holdings Co., Ltd. and Woori Bank. Accordingly, the shares of the Bank, 597 million shares, prior to the merger, were 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, 2015, the common stock of the Bank amounts, expressed in Korean Won (the “KRW” or “Won”), to 3,381,392 million Won.

During the year ended December 31, 2016, the Korea Deposit Insurance Corporation ( “KDIC” ), the majority shareholder of the Bank, sold its 187 million shares in the Bank in accordance with the contract of ‘Disposal of Woori Bank’s shares to Oligopolistic Shareholders’. As of December 31, 2016 and 2015, KDIC held 158 million shares (23.37% ownership interest) and 345 million shares (51.06% ownership interest), respectively, of the Bank’s shares issued.

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 holding 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.

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 Asset Management Co., Ltd., and Woori Finance Research Institute Co., Ltd. as its subsidiaries.

The head office of the Bank is located in 51 Sogong-ro, Jung Gu, Seoul, Korea. The Bank has 894 branches and offices in Korea, and 22 branches and offices overseas as of December 31, 2016.

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

Subsidiaries	Main business	Percentage of ownership (%)		Location	Financial statements as of
		December 31, 2016	December 31, 2015		
Woori Bank:					
Woori FIS Co., Ltd.	System software development & maintenance	100.0	100.0	Korea	December, 31
Woori Private Equity Asset Management Co., Ltd. (*5)	Finance	100.0	100.0	Korea	December, 31
Woori Finance Research Institute Co., Ltd.	Other service business	100.0	100.0	Korea	December, 31
Woori Card Co., Ltd.	Finance	100.0	100.0	Korea	December, 31
Woori Investment Bank Co., Ltd.	Other credit finance business	58.2	58.2	Korea	December, 31
Woori Credit Information Co., Ltd.	Credit information	100.0	100.0	Korea	December, 31

Subsidiaries	Main business	Percentage of ownership (%)		Location	Financial statements as of
		December 31, 2016	December 31, 2015		
Woori America Bank	Finance	100.0	100.0	U.S.A	December, 31
Woori Global Markets Asia Limited	"	100.0	100.0	Hong Kong	December, 31
Woori Bank (China) Limited	"	100.0	100.0	China	December, 31
ZAO Woori Bank	"	100.0	100.0	Russia	December, 31
PT Bank Woori Saudara Indonesia 1906 Tbk	"	74.0	74.0	Indonesia	December, 31
Woori Brazil Bank	"	100.0	100.0	Brazil	December, 31
Korea BTL Infrastructure Fund	"	99.9	99.9	Korea	December, 31
Woori Fund Service Co., Ltd.	"	100.0	100.0	Korea	December, 31
Woori Finance Cambodia	"	100.0	100.0	Cambodia	December, 31
Woori Finance Myanmar	"	100.0	100.0	Myanmar	December, 31
Wealth Development Bank (*6)	"	51.0	-	Philippines	December, 31
Woori Bank Vietnam Limited (*6)	"	100.0	-	Vietnam	December, 31
Kumho Trust First Co., Ltd. (*1)	Asset securitization	0.0	0.0	Korea	December, 31
Asiana Saigon Inc. (*1)	"	0.0	0.0	Korea	December, 31
An-Dong Raja First Co., Ltd. (*1)	"	0.0	0.0	Korea	December, 31
Consus Eighth Co., LLC (*1)	"	0.0	0.0	Korea	December, 31
KAMCO Value Recreation First Securitization Specialty Co., Ltd. (*1)	"	15.0	15.0	Korea	December, 31
Hermes STX Co., Ltd. (*1)	"	0.0	0.0	Korea	December, 31
BWL First Co., LLC (*1)	"	0.0	0.0	Korea	December, 31
Woori Poongsan Co., Ltd. (*1)	"	0.0	0.0	Korea	December, 31
Deogi Dream Fourth Co., Ltd. (*1)	"	0.0	0.0	Korea	December, 31
Jeonju Iwon Ltd. (*1)	"	0.0	0.0	Korea	December, 31
Wonju I one Inc. (*1)	"	0.0	0.0	Korea	December, 31
Heitz Third Co., Ltd. (*1)	"	0.0	0.0	Korea	December, 31
Woorihansoop 1st Co., Ltd. (*1)	"	0.0	0.0	Korea	December, 31
Electric Cable First Co., Ltd. (*1)	"	0.0	0.0	Korea	December, 31
Woori International First Co., Ltd. (*1)	"	0.0	0.0	Korea	December, 31
Woori HJ First Co., Ltd. (*1)	"	0.0	0.0	Korea	December, 31
Samsung Plus Private Equity Investment Trust 36th and 34 beneficiary certificates for the rest (*2)	Securities investment and others	-	-	Korea	December, 31
Principle Guaranteed Trust (*3)	Trust	0.0	0.0	Korea	December, 31
Principle and Interest Guaranteed Trust (*3)	"	0.0	0.0	Korea	December, 31
Woori Bank and Woori Private Equity Co., Ltd.:					
Woori Private Equity Fund (*4)	Other financial business	31.9	31.9	Korea	December, 31
Woori Private Equity Fund					
Woori EL Co., Ltd.	Other financial business	100.0	100.0	Korea	December, 31
Woori Investment Bank:					
Dongwoo First Securitization Specialty Co., Ltd. (*1)	Asset securitization	5.0	5.0	Korea	December, 31
Woori Card Co., Ltd.					
TUTU Finance-WCI Myanmar Co.,Ltd. (*7)	Finance	100.0	-	Myanmar	December, 31

- (\*1) The entity was a structured entity for the purpose of asset securitization and was in scope for consolidation. Although the Group was not a majority shareholder, the Group 1) had the power over the investee, 2) was exposed, or had rights, to variable returns from its involvement with the investee, and 3) had the ability to use its power to affect its returns.
- (\*2) The entity was a structured entity for the purpose of investment in securities and was in scope for consolidation, considering that the Group 1) had the power over the investee, 2) was 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.
- (\*3) The entity was a money trust under the Financial Investment Services and Capital Markets Act and was in scope for consolidation. Although the Group was not a majority shareholder, the Group 1) has the power over the investee, 2) was 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.
- (\*4) The entity was in scope for consolidation since the Group has controlling power over the entity, as a general partner.
- (\*5) The entity, formerly, Woori Private Equity Co., Ltd., registered as the professional private equity fund investor during the year ended December 31, 2016, and the entity changed its name into Woori Private Equity Asset Management Co., Ltd.
- (\*6) The entities were included in scope for consolidation since the Group acquired their majority ownership interests during the year ended December 31, 2016.

(\*7) Woori Card Co., Ltd. acquired the entity's majority ownership interest during the year ended December 31, 2016.

- (3) As of December 31, 2016, and 2015, despite having more than a 50% ownership interest, the Group has not consolidated the following companies as the Group does not have the ability to control following subsidiaries:

Subsidiaries	Location	As of December 31, 2016	
		Main business	Percentage of ownership (%)
Golden Bridge NHN Online Private Equity Investment (*)	Korea	Securities Investment	60.0
Mirae Asset Maps Clean Water Private Equity Investment Trust 7th (*)	Korea	Securities Investment	59.7
Kiwoom Yonsei Private Equity Investment Trust (*)	Korea	Securities Investment	88.9
Kiwoom Frontier Professional Investment Private Fund 6(Bond) (*)	Korea	Securities Investment	50.0

Subsidiaries	Location	As of December 31, 2015	
		Main business	Percentage of ownership (%)
Golden Bridge NHN Online Private Equity Investment (*)	Korea	Securities Investment	60.0
Heungkuk High Class Private Equity Securities Investment Trust 377th (*)	Korea	Securities Investment	51.3
Mirae Asset Maps Clean Water Private Equity Investment Trust 7th (*)	Korea	Securities Investment	59.7
Kiwoom Yonsei Private Equity Investment Trust (*)	Korea	Securities Investment	88.9

(\*) The Group owns the majority ownership interest in these structured entities, but has no power on the investees' relevant activities. As results, it is deemed that the Group has no power or control on the structured entities.

- (4) The summarized financial information before the elimination of intercompany transactions of the 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, 2016				
	Assets	Liabilities	Operating revenue	Net income (loss) attributable to owners	Comprehensive income (loss) attributable to owners
Woori FIS	141,329	105,821	244,783	1,048	1,432
Woori Private Equity Asset Management Co., Ltd	97,338	53,244	2,154	312	219
Woori Finance Research Institute	3,710	334	4,445	108	100
Woori Card	7,606,108	6,180,893	1,555,373	109,393	116,381
Woori Investment Bank	1,576,627	1,404,566	178,572	23,872	23,897
Woori Credit Information	31,292	4,416	27,884	543	618
Woori America Bank	2,186,049	1,973,263	73,909	15,266	20,899
Woori Global Markets Asia Limited	272,008	147,581	7,255	1,863	5,582
Woori Bank (China) Limited	4,984,017	4,466,812	475,174	32,025	11,505
ZAO Woori Bank	239,860	188,474	16,221	5,650	15,553
PT Bank Woori Saudara Indonesia 1906 Tbk	2,089,822	1,693,111	179,014	24,573	48,542
Woori Brazil Bank	241,229	206,043	17,059	2,786	9,600
Korea BTL Infrastructure Fund	784,770	299	33,476	29,617	29,617
Woori Fund Service	11,386	1,372	7,787	1,011	1,011
Woori Finance Cambodia	32,405	24,751	4,545	1,250	1,494
Woori Finance Myanmar	4,305	2,651	380	(613)	(569)
Wealth Development Bank	209,779	174,446	12,519	1,248	1,876
Woori Bank Vietnam Limited	159,223	278	-	(346)	3,545
Money trust under the Trust Business Act	1,525,145	1,495,815	55,540	697	697
Structured entity for the securitization of financial assets	487,431	895,824	29,480	6,912	7,138
Security investments structured entity	4,397,163	1,898,977	137,896	56,605	61,535
	As of and for the year ended December 31, 2015				
	Assets	Liabilities	Operating revenue	Net income (loss) attributable to owners	Comprehensive income (loss) attributable to owners
Woori FIS	161,778	127,701	260,657	1,421	(833)
Woori Private Equity Asset Management Co., Ltd	89,365	45,491	3,669	1,224	1,024
Woori Finance Research Institute	3,605	328	4,149	86	62
Woori Card	6,604,059	5,295,225	1,379,873	116,858	119,976
Woori Investment Bank	1,206,156	1,057,992	129,404	10,435	7,830
Woori Credit Information	33,957	6,691	31,271	1,806	1,830
Woori America Bank	1,701,191	1,509,304	67,932	12,893	24,356
Woori Global Markets Asia Limited	245,246	126,401	6,851	1,763	8,958
Woori Bank (China) Limited	4,016,968	3,511,268	408,566	1,056	32,855
ZAO Woori Bank	261,026	225,194	17,301	7,232	(762)
PT Bank Woori Saudara Indonesia 1906 Tbk	1,770,900	1,417,952	375,747	24,023	10,691
Woori Brazil Bank	106,239	80,653	19,850	2,330	(7,377)
Korea BTL Infrastructure Fund	739,502	279	34,042	30,307	30,307
Woori Fund Service	9,818	815	6,247	358	358
Woori Finance Cambodia	22,767	16,607	2,705	579	946
Woori Finance Myanmar	2,252	29	9	(117)	(166)
Money trust under the Trust Business Act	1,477,657	1,449,024	56,397	125	125
Structured entity for the securitization of financial assets	545,534	961,065	22,728	(13,685)	(6,662)



	As of and for the year ended December 31, 2016				
	Assets	Liabilities	Operating revenue	Net income (loss) attributable to owners	Comprehensive income (loss) attributable to owners
Security investments structured entity	3,071,375	562,477	126,904	26,906	41,080

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

- Structured entity for 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.

- Structured entity for investment in securities

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 certain 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 Group.

(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. 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 such investors including 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 in conjunction with the unconsolidated structured entities as of and for the year ended December 31, 2016 and 2015 are as follows (Unit: Korean Won in millions):

	December 31, 2016		
	Asset securitization vehicle	Structured finance	Investment funds
Total asset of the unconsolidated structured entities	8,426,713	61,324,862	9,131,362
Assets recognized in the consolidated financial statements related to the unconsolidated structured entities	3,361,910	2,790,215	1,749,494
Loans and receivables	65,470	2,414,044	-
Financial assets at fair value through profit or loss	-	254,150	-
Available-for-sale financial assets	1,216,446	115,843	1,664,865
Held-to-maturity financial assets	2,079,648	-	-
Investments in joint ventures and associates	-	-	84,629
Derivative assets	346	6,178	-
Liabilities recognized in the consolidated financial statements related to the unconsolidated structured entities	1,363	1,224	-
Derivative liabilities	201	362	-
Other liabilities (including provisions)	1,162	862	-
The maximum exposure to risks	4,263,993	3,802,210	1,749,494
Investments	3,361,910	2,790,215	1,749,494
Purchase agreements	28,000	-	-
Credit facilities	834,083	970,195	-
Other commitments	40,000	41,800	-
Loss recognized on unconsolidated structured entities	6,353	71,185	683

	December 31, 2015		
	Asset securitization vehicle	Structured finance	Investment Funds
Total asset of the unconsolidated structured entities	10,138,371	48,198,653	7,611,232
Assets recognized in the consolidated financial statements			
related to the unconsolidated structured entities	4,219,809	2,879,310	963,747
Loans and receivables	148,811	2,439,207	26,976
Financial assets at fair value through profit or loss	-	274,175	-
Available-for-sale financial assets	1,649,949	133,455	654,705
Held-to-maturity financial assets	2,420,870	-	-
Investments in joint ventures and associates	-	-	282,066
Derivative assets	179	32,473	-
Liabilities recognized in the consolidated financial statements related to the unconsolidated structured entities	3,688	728	-
Derivative liabilities	126	-	-
Other liabilities (including provisions)	3,562	728	-
The maximum exposure to risks	5,250,850	3,877,161	963,747
Investments	4,219,809	2,879,310	963,747
Purchase agreements	74,000	48,000	-
Credit facilities	957,041	949,851	-
Loss recognized on unconsolidated structured entities	2,205	47,942	-

- (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 reporting period

	December 31, 2016	December 31, 2015
Woori Investment Bank	73,986	64,013
PT Bank Woori Saudara Indonesia 1906 Tbk	70,249	58,880
Wealth Development Bank	16,983	-

2) Net income attributable to non-controlling interests

	For the year ended December 31, 2016	For the year ended December 31, 2015
Woori Investment Bank	9,990	4,353
PT Bank Woori Saudara Indonesia 1906 Tbk	6,383	6,241
Wealth Development Bank	611	-

3) Dividends to non-controlling interests

	For the year ended December 31, 2016	For the year ended December 31, 2015
PT Bank Woori Saudara Indonesia 1906 Tbk	1,242	778

## 2. SIGNIFICANT BASIS OF PREPARATION AND ACCOUNTING POLICIES

### (1) Basis of presentation

The Group's consolidated financial statements are prepared in accordance with 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, 2016 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 February 8, 2017.

#### 1) The Group has newly adopted the following amendment to K-IFRS that affected the Group's accounting policies.

##### *Amendments to K-IFRS 1001 – Presentation of Financial Statements*

The amendments to K-IFRS 1001 clarify the concept of applying materiality in practice and restrict an entity reducing the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The adoption of the amendments has no material 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 adoption of the amendments has no material impact on the Group's consolidated financial statements.

##### *Amendments to K-IFRS 1038 – Intangible Assets*

The amendments to K-IFRS 1038 rebuts presumption that revenue is not an appropriate basis for the amortization of an intangible assets, which the presumption can only be rebutted when the intangible asset expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. The adoption of the amendments has no material impact on the Group's consolidated financial statements.

##### *Amendments to K-IFRS 1110 – Consolidated Financial Statements & K-IFRS 1112 – Disclosure of interests in other entities & K-IFRS 1028 – Investment in associates*

The amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries. The adoption of the amendments has no material impact on the Group's consolidated financial statements.

##### *Amendments to K-IFRS 1111 – Joint Arrangement*

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 adoption of the amendments has no material impact on the Group's consolidated financial statements.



Other than the amendment stated above, there are several annual improvements in the current period, but the application of the amendments has had no material effect 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 1007 – Statement of Cashflows*

The amendments require that changes in liabilities arising from financial activities are disclosed. The amendments are effective for annual periods beginning on or after January 1, 2017.

*Amendments to K-IFRS 1012 – Income Taxes*

The amendments clarify that unrealized losses on fixed-rate debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the holder expects to recover the carrying amount of the debt instrument by sale or by use and that the estimate of probable future taxable profit may include the recovery of some of assets for more than their carrying amount. When the Group assesses whether there will be sufficient taxable profit, the Group should compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

*Amendments to K-IFRS 1102 – Share-based Payment*

The amendments include: 1) when measuring the fair value of share-based payment, the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment should be consistent with the measurement of equity-settled share-based payment, 2) Share-based payment transaction in which the Group settles the share-based payment arrangement net by withholding a specified portion of the equity instruments per statutory tax withholding requirements would be classified as equity-settled in its entirety, if otherwise would be classified as equity-settled without the net settlement feature, and 3) when a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions, the original liability recognized is derecognized and the equity-settled share-based payment is recognized at the modification date fair value. Any difference between the carrying amount of the liability at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately. The amendments are effective for annual periods beginning on or after January 1, 2018.

*Enactment of K-IFRS 1109 – Financial Instruments*

The amendments to K-IFRS 1109 contain the requirements for the classification and measurement of financial assets and financial liabilities based on a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and based on the contractual terms that give rise on specified dates to cash flows, impairment methodology based on the expected credit losses, and broadened types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting and the change of the hedge effectiveness test. The amendments are effective for annual periods beginning on or after 1 January 2018.

The Group is in the process of changing the related accounting systems to adopt K-IFRS 1109, however the impact from the adoption on the Group's consolidated financial statements is yet to be analyzed. Meanwhile, the typical financial impacts per each major requirements under the Standard that are expected to be applicable are as follows:

**Phase 1: Classification and measurement of financial assets and financial liabilities**

All recognized financial assets that are currently within the scope of K-IFRS 1109 will be subsequently measured either at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through Profit or Loss (FVTPL) under K-IFRS 1109 based on the business model and the nature of the contractual cash flows. Specifically:

The nature of contractual cash flows	The business model		
	Objective is to collect the contractual cash flows	Objective is achieved both by collecting the contractual cash flows and selling financial assets	Objective is to sell financial assets and so on
Contractual cash flows that are solely payment of principal and interest	Measured at amortized cost(*)	Measure at FVOCI(*)	Measure at FVTPL
Other than the above	Measure at FVTPL	Measure at FVTPL	Measure at FVTPL

(\*) For eliminating or reducing accounting discrepancies an irrevocable election can be made at initial recognition to measure the investment at FVTPL

In accordance with K-IFRS 1039, the Group holds Loans and receivables amounting to 258,392,633 million Won, Held-to-maturity financial assets amounting to 13,910,251 million Won, Available-for-sale financial assets amounting to 20,817,583 million Won and FVTPL amounting to 5,650,724 million Won as of December 31, 2016.

In accordance with K-IFRS 1109, an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income, and the amount amounts should be recycled to profit or loss. In accordance with K-IFRS 1039, the Group holds equity investments that are classified as Available-for-sale financial assets (except for the puttable instrument defined in K-IFRS 1032) amounting to 1,161,292 million Won as of December 31, 2016.

One major change from K-IFRS 1039 relates to the presentation of changes in the fair value of a financial liabilities designated as at FVTPL attributable to changes in the credit risk of that liability. Under K-IFRS 1109, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

In case a Hybrid contract contains financial asset hosts, an entity shall recognize the entire hybrid contract as financial asset, not separating the embedded derivative from the host.

In accordance with K-IFRS 1039, the Group holds financial liabilities designated as at FVTPL 766,880 million Won as of December 31, 2016.

#### Phase 2: Impairment methodology

The impairment model under K-IFRS 1109 reflects expected credit losses. Under the impairment approach in K-IFRS 1109, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

In accordance with K-IFRS 1109, the allowance for doubtful receivables is measured at the amount equivalent to the expected 12-month credit loss or the lifetime expected credit loss, depending on the degree of deterioration of the credit risk after the initial recognition of the financial asset.

Stage	Stage 1	Stage 2	Stage 3
	In case the exposure's credit risk has not increased significantly since initial recognition	In case the exposure has suffered a significant increase in credit risk	In case the exposure meets the accounting definition of credit impaired
Allowance recognition	The Group recognizes only 12-month expected credit losses as a loss	The Group recognizes a loss allowance equal to lifetime expected credit losses	

allowance

Meanwhile, K-IFRS 1109 requires that, an entity shall only recognize the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

In accordance with K-IFRS 1039, the Group holds loans and receivables amounting to 260,419,729 million Won and Allowance for credit losses amounting to 2,027,096 million Won as of December 31, 2016.

### Phase 3: Hedge accounting

The general hedge accounting requirements of K-IFRS 1109 retain the three types of hedge accounting mechanisms in K-IFRS 1039: Fair Value Hedge, Cash Flow Hedge, and Hedge of Net Investment in a Foreign Operation. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship' Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

### Enactment of K-IFRS 1115 – *Revenue from Contracts with Customers*

The core principle under K-IFRS 1115 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The enactment introduces a 5-step approach to revenue recognition and measurement: 1) Identify the contract with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to the performance obligations in the contract, 5) Recognize revenue when (or as) the entity satisfies a performance obligation. This standard will supersede K-IFRS 1011 - *Construction Contracts*, K-IFRS 1018- *Revenue*, K-IFRS 2113 - *Customer Loyalty Programmes*, K-IFRS 2115-*Agreements for the Construction of Real Estate*, K-IFRS 2118 - *Transfers of Assets from Customers*, and K-IFRS 2031-*Revenue-Barter Transactions Involving Advertising Services*. The enactment is effective for annual periods beginning on or after 1 January 2018.

The Group is reviewing the impact from the amendments and the enactments 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 the 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 Group's voting rights in an investee are sufficient to give it power, including:

- The relative size of the Group's holding of voting rights 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 Group. 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 3 months 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 Financial assets at fair value through profit or loss (“FVTPL”), AFS financial assets, held-to-maturity (“HTM”) and loans and receivables.

a) Financial assets at FVTPL:

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and K-IFRS 1039 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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.

b) AFS financial assets:

Financial assets that are not classified as HTM, financial assets 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.

c) 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.

d) 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 financial liabilities at FVTPL (held for trading, and financial liabilities designated as at FVTPL) and financial liabilities measured at amortized cost.

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.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and K-IFRS 1039 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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.

All other financial liabilities, such as deposits due to customers, borrowings, and debentures, 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.

a) 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, 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 the independent pricing services. 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.

b) 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.

c) 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.

##### a) 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.

##### b) 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, such as goodwill and membership, 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 others in other assets 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 depending on the purpose. 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) 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.



#### (18) 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.

#### (19) 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 will be amortized, 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 in net income over the period of the guarantee.

#### (20) 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.

(21) 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 carry forwards 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.

(22) 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

The significant accounting estimates and assumptions are continually evaluated and are based on historical experiences and various factors including expectations of future events that are considered to be reasonable. Actual results can differ from those estimates based on such definitions. The accounting estimates and assumptions, which involve potential significant risks that may materially impact the book values of assets and liabilities on the Group's consolidated financial statements, are as follows:

#### (1) Impairment of goodwill

The Group performs goodwill impairment test annually, or whenever there is any indicator that CGU may have been impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value.

#### (2) Income taxes

The Group is subject to income taxes in numerous jurisdictions, which requires significant judgment in determining realization of deferred tax. Actual tax payment may be different from the provision estimate and such difference may affect the income tax expense. There are various transactions and calculations for which the ultimate tax determination is uncertain. Deferred tax assets relating to tax losses carried forward and deductible temporary differences are recognized, only to the extent that it is probable that future taxable profit will be available against which the tax losses carried forward and the deductible temporary differences can be utilized. This assessment requires significant management estimates and judgments. Future taxable profit is estimated based on, among other relevant factors, forecasted operating results, which are based on historical financial performance. In the event the Group was to determine that it would be able to realize its deferred income tax assets in the future at an amount different than their net recorded amount, the Group would make an adjustment to the provision for income taxes at such time.

Under the Earnings Accumulation Tax (EAT) regime, the Group may incur additional tax burden depending on its level of investment, payroll increase or cash dividends for the preceding three years from 2015. As such, there exists uncertainty with regard to the estimation of such tax impact to the Group, which is measured by the management given the level of expected investment, payroll increase and cash dividends.

#### (3) Valuation of Financial Instruments

Financial instruments classified as held-for trading or designated as at FVTPL and financial instruments classified as AFS are recognized in the financial statements at fair value. All derivatives are measured at fair value. Financial instruments, which are not traded in active market will have less objective fair value and require broad judgment in liquidity, concentration, uncertainty in market factors and assumption in price determination and other risks. The fair value of those assets is established by using valuation techniques.

As described in the significant accounting policies in Note 2-(9)-5), 'Fair value of financial assets and liabilities', a range of valuation techniques, which include market approach and income approach and internally developed models that incorporate various types of assumptions and variables, are used to determine the fair value of financial instruments.

#### (4) Impairment of loans

Impairment loss for loans and receivables carried at amortized cost is measured as the difference between such assets' carrying value and the present value of estimated recoverable cash flows (not include any future loss events that have not occurred) discounted by using the initial effective interest rate. After initial recognition, when the estimated cash flow of the financial asset is affected by one or more loss events, it is determined that the financial asset is impaired.

The objective evidences that a financial asset is impaired incorporate below loss events:

- 1) Financial assets that are individually assessed
  - Past due
  - Debt restructuring
  - Possible state of debtor's bankruptcy or liquidation
  - Occurrence of significant impairment on securities
  - Breach of limit or debt covenant
  - Deterioration of operating performance
- 2) Financial assets that are not individually assessed
  - Repayment status of debtor or observable macro-economic indexes

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant (individual evaluation of impairment), and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment (collective evaluation of impairment).

There are two components to the Group's loan impairment provisions (individual and collective).

Individual assessment of impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's carrying amount. This process normally encompasses management's best estimate, such as operating cash flow of debtor and net realizable value of any collateral held and the timing of anticipated receipts.

Collective assessment of impairment losses are established on a portfolio basis using the methodology based on historical loss experience. The methodology based on historical loss experience is used to estimate inherent incurred loss on groups of assets for collective evaluation of impairment. Such methodology incorporates factors such as type of product and debtors, credit rating, portfolio size, loss emergence period and recovery period and applies probability of default on each assets (or pool of assets) and loss given default by type of collateral. Also, consistent assumptions are applied to form a formula-based model in estimating inherent loss and to determine factors on the basis of historical loss experience and current condition. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### (5) Defined benefit plan

The Group operates defined benefit retirement pension plans. Defined benefit retirement pension plans are measured through actuarial valuation and the Group estimates discount rate, future wage growth rate, mortality ratio to produce actuarial valuation. Defined benefit retirement pension plans contain significant uncertainty in these estimates due to its long-term characteristic.

#### 4. RISK MANAGEMENT

The Group's operating activity is exposed to various financial risks. The Group is required to analyze and assess the level of complex risks, and determine the permissible level of risks and manage such risks. The Group's risk management procedures have been established to improve the quality of assets for holding or investment purposes by making decisions as how to avoid or mitigate risks through the identification of the source of the potential risks and their impact.

The Group has established an approach to manage the acceptable level of risks and reduce the excessive risks in financial instruments in order to maximize the profit given risks present, for which the Group has implemented processes for risk identification, assessment, control, and monitoring and reporting.

The risk is managed by the risk management department in accordance with the Group's risk management policy. The Risk Management Committee makes decisions on the risk strategies such as the avoidance of concentration on capital at risk and the establishment of acceptable level of risk.

##### (1) Credit risk

Credit risk represents the possibility of financial losses incurred when the counterparty fails to fulfill its contractual obligations. The goals of credit risk management are to maintain the Group's credit risk exposure to a permissible degree and to optimize its rate of return considering such credit risk.

##### 1) Credit risk management

The Group considers the probability of failure in performing the obligation of its counterparties, credit exposure to the counterparty, the related default risk and the rate of default loss. The Group uses the credit rating model to assess the possibility of counterparty's default risk; and when assessing the obligor's credit grade, the Group utilizes credit grades derived using statistical methods.

In order to manage credit risk limit, the Group establishes the appropriate credit line per obligor, company or industry. It monitors obligor's credit line, total exposures and loan portfolios when approving the loan.

The Group mitigates credit risk resulting from the obligor's credit condition by using financial and physical collateral, guarantees, netting agreements and credit derivatives. The Group has adopted the entrapment method to mitigate its credit risk. Credit risk mitigation is reflected in qualifying financial collateral, trade receivables, guarantees, residential and commercial real estate and other collaterals. The Group regularly performs a revaluation of collateral reflecting such credit risk mitigation.

##### 2) Maximum exposure to credit risk

The Group's maximum exposure to credit risk refers to net book value of financial assets net of allowances, which shows the uncertainties of maximum changes of net value of financial assets attributable to a particular risk without considering collateral and other credit enhancements obtained. However, the maximum exposure is the fair value amount (recorded on the books) for derivatives, maximum contractual obligation for payment guarantees and loan commitment for loan contracts.



The maximum exposure to credit risk is as follows (Unit: Korean Won in millions):

	December 31, 2016	December 31, 2015
Loans and receivables:		
Korean treasury and government agencies	16,058,305	12,062,603
Banks	20,242,260	19,048,126
Corporates	88,985,566	93,765,023
Consumers	133,106,502	119,966,310
Sub-total	<u>258,392,633</u>	<u>244,842,062</u>
Financial assets at fair value through profit or loss (“FVTPL”):		
Gold banking assets	26,180	24,884
Debt securities held for trading	2,644,916	2,617,406
Financial assets designated at FVTPL	4,348	986
Derivative assets for trading	2,898,295	2,390,497
Sub-total	<u>5,573,739</u>	<u>5,033,773</u>
Available-for-sale (“AFS”) debt securities	16,541,888	14,723,577
Held-to-maturity (“HTM”) securities	13,910,251	13,621,640
Derivative assets for hedging	140,577	183,128
Off-balance accounts :		
Guarantees	14,761,784	17,315,443
Loan commitments	83,795,496	88,211,580
Sub-total	<u>98,557,280</u>	<u>105,527,023</u>
Total	<u>393,116,368</u>	<u>383,931,203</u>

a) Credit risk exposure by geographical areas

The following tables analyze credit risk exposure by geographical areas (Unit: Korean Won in millions):

	December 31, 2016						Total
	Korea	China	USA	UK	Japan	Others (*)	
Loans and receivables	241,380,250	4,286,018	2,792,088	895,874	323,470	8,714,933	258,392,633
Financial assets at FVTPL	5,205,849	6,525	-	261,547	81	99,737	5,573,739
AFS debt securities	16,155,290	13,845	137,861	-	-	234,892	16,541,888
HTM securities	13,758,863	-	20,336	-	-	131,052	13,910,251
Derivative assets	74,166	-	-	66,342	-	69	140,577
Off-balance accounts	96,245,092	737,513	103,130	80,831	23,250	1,367,464	98,557,280
Total	<u>372,819,510</u>	<u>5,043,901</u>	<u>3,053,415</u>	<u>1,304,594</u>	<u>346,801</u>	<u>10,548,147</u>	<u>393,116,368</u>

	December 31, 2015						Total
	Korea	China	USA	UK	Japan	Others (*)	
Loans and receivables	231,685,404	2,808,255	2,606,044	644,387	192,599	6,905,373	244,842,062
Financial assets at FVTPL	4,664,382	11,794	-	269,039	-	88,558	5,033,773
AFS debt securities	14,427,447	38,094	96,443	-	-	161,593	14,723,577
HTM securities	13,525,799	-	15,112	-	-	80,729	13,621,640
Derivative assets	91,022	-	-	91,538	-	568	183,128
Off-balance accounts	103,454,192	607,685	88,552	107,239	28,884	1,240,471	105,527,023
Total	<u>367,848,246</u>	<u>3,465,828</u>	<u>2,806,151</u>	<u>1,112,203</u>	<u>221,483</u>	<u>8,477,292</u>	<u>383,931,203</u>

(\*) Others consist of financial assets in Indonesia, Vietnam, Panama, European countries and others.

## b) Credit risk exposure by industries

The following tables analyze credit risk exposure by industries, which are service, manufacturing, finance and insurance, construction, individuals and others in accordance with the Korea Standard Industrial Classification Code (Unit: Korean Won in millions):

	December 31, 2016						
	Service	Manufacturing	Finance and insurance	Construction	Individuals	Others	Total
Loans and receivables	46,040,278	35,652,974	37,711,983	3,789,670	125,558,637	9,639,091	258,392,633
Financial assets at FVTPL	77,198	360,881	4,093,567	24,140	993	1,016,960	5,573,739
AFS debt securities	1,092,279	57,781	9,568,151	63,166	-	5,760,511	16,541,888
HTM securities	1,673,971	-	8,290,451	251,599	-	3,694,230	13,910,251
Derivative assets	-	-	140,577	-	-	-	140,577
Off-balance accounts	18,423,611	26,878,320	9,927,574	4,621,971	33,603,651	5,102,153	98,557,280
Total	67,307,337	62,949,956	69,732,303	8,750,546	159,163,281	25,212,945	393,116,368

	December 31, 2015						
	Service	Manufacturing	Finance and insurance	Construction	Individuals	Others	Total
Loans and receivables	48,470,594	37,699,589	32,604,765	5,160,497	112,491,741	8,414,876	244,842,062
Financial assets at FVTPL	124,325	346,684	3,241,785	35,096	21	1,285,862	5,033,773
AFS debt securities	781,989	47,119	9,213,137	31,159	-	4,650,173	14,723,577
HTM securities	1,931,529	20,000	7,875,325	472,209	-	3,322,577	13,621,640
Derivative assets	-	-	183,128	-	-	-	183,128
Off-balance accounts	18,572,657	31,975,235	13,871,934	5,307,240	30,606,423	5,193,534	105,527,023
Total	69,881,094	70,088,627	66,990,074	11,006,201	143,098,185	22,867,022	383,931,203

## 3) Credit risk of loans and receivables

The credit exposure of loans and receivables by customer and loan condition is as follows (Unit: Korean Won in millions):

	December 31, 2016							
	Korean treasury and government agencies	Banks	Corporates			Sub-total	Consumers	Total
General business			Small and medium sized enterprise	Project financing and others				
Loans and receivables neither overdue nor impaired	16,062,399	20,258,860	49,815,352	31,520,617	7,142,440	88,478,409	132,195,005	256,994,673
Loans and receivables overdue but not impaired	-	-	48,294	57,245	-	105,539	765,829	871,368
Impaired loans and receivables	-	-	1,404,568	429,955	208,372	2,042,895	510,793	2,553,688
Gross loans and receivables	16,062,399	20,258,860	51,268,214	32,007,817	7,350,812	90,626,843	133,471,627	260,419,729
Allowance for credit losses	4,094	16,600	1,156,000	424,142	61,135	1,641,277	365,125	2,027,096
Total, net	16,058,305	20,242,260	50,112,214	31,583,675	7,289,677	88,985,566	133,106,502	258,392,633

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December 31, 2015								
Corporates								
	Korean treasury and government agencies	Banks	General business	Small and medium sized enterprise	Project financing and others	Sub-total	Consumers	Total
Loans and receivables neither overdue nor impaired	12,065,749	19,062,673	53,282,955	31,665,220	7,618,968	92,567,143	118,888,052	242,583,617
Loans and receivables overdue but not impaired	-	682	66,770	91,406	-	158,176	900,313	1,059,171
Impaired loans and receivables	-	2,331	2,005,366	506,793	585,684	3,097,843	577,157	3,677,331
Gross loans and receivables	12,065,749	19,065,686	55,355,091	32,263,419	8,204,652	95,823,162	120,365,522	247,320,119
Allowance for credit losses	3,146	17,560	1,393,401	516,891	147,847	2,058,139	399,212	2,478,057
Total, net	12,062,603	19,048,126	53,961,690	31,746,528	8,056,805	93,765,023	119,966,310	244,842,062

a) Credit quality of loans and receivables

The Group manages credit quality of its loans and receivables, (neither overdue nor impaired, net of allowance) through an internal rating system. Segregation of credit quality is as follows (Unit: Korean Won in millions):

December 31, 2016								
Corporates								
	Korean treasury and government agencies	Banks	General business	Small and medium sized enterprise	Project financing and others	Sub-total	Consumers	Total
Upper grade (*1)	16,058,288	20,242,260	41,461,420	18,755,963	5,337,033	65,554,416	128,374,017	230,228,981
Lower grade (*2)	17	-	7,941,871	12,550,282	1,763,658	22,255,811	3,680,920	25,936,748
Total	16,058,305	20,242,260	49,403,291	31,306,245	7,100,691	87,810,227	132,054,937	256,165,729
Value of collateral	-	358,456	18,003,674	25,493,006	3,996,162	47,492,842	111,054,910	158,906,208

December 31, 2015								
Corporates								
	Korean treasury and government agencies	Banks	General business	Small & medium sized enterprise	Project financing and others	Sub-total	Consumers	Total
Upper grade (*1)	12,062,603	19,044,317	41,511,690	16,597,807	5,275,015	63,384,512	114,559,012	209,050,444
Lower grade (*2)	-	1,044	11,434,413	14,817,366	2,271,579	28,523,358	4,187,183	32,711,585
Total	12,062,603	19,045,361	52,946,103	31,415,173	7,546,594	91,907,870	118,746,195	241,762,029
Value of collateral	11,391	413,893	18,096,065	24,412,038	4,220,936	46,729,039	98,376,621	145,530,944

(\*1) AAA~BBB for Corporates, and 1~6 level for Consumers

(\*2) BBB- ~C for Corporates, and 7~10 level for Consumers

Allowances for credit losses, for loans and receivables neither overdue nor impaired, amounting to 828,944 million Won and 821,588 million Won as of December 31, 2016 and 2015, respectively, which are deducted from the loans and receivables above.

## b) Aging analysis of loans and receivables

Aging analysis of loans and receivables (overdue but not impaired, net of allowance) is as follows (Unit: Korean Won in millions):

Past due	December 31, 2016							
	Korean treasury and government agencies	Banks	Corporates			Sub-total	Consumers	Total
			General business	Small & medium sized enterprise	Project financing and others			
Less than 30 days	-	-	45,255	41,329	-	86,584	584,995	671,579
30~59 days	-	-	1,553	8,933	-	10,486	90,296	100,782
60~89 days	-	-	337	2,123	-	2,460	49,151	51,611
Total	-	-	47,145	52,385	-	99,530	724,442	823,972
Value of collateral (*)	-	-	7,021	45,304	-	52,325	546,164	598,489

Past due	December 31, 2015							
	Korean treasury and government agencies	Banks	Corporates			Sub-total	Consumers	Total
			General business	Small & medium sized enterprise	Project financing and others			
Less than 30 days	-	92	52,157	58,854	-	111,011	716,245	827,348
30~59 days	-	120	3,902	16,584	-	20,486	98,889	119,495
60~89 days	-	222	9,537	4,969	-	14,506	39,330	54,058
Total	-	434	65,596	80,407	-	146,003	854,464	1,000,901
Value of collateral (*)	-	-	4,340	63,749	-	68,089	644,073	712,162

(\*) The value of collateral held is the recoverable amount used when calculating allowance for credit losses. Allowances for credit losses, for loans and receivables that are overdue but not impaired, amounting to 47,396 million Won and 58,270 million Won as of December 31, 2016 and 2015, respectively, which are deducted from the loans and receivables above.

## c) Impaired loans and receivables

Impaired loans and receivables, net of allowance are as follows (Unit: Korean Won in millions):

Impaired loans	December 31, 2016							
	Korean treasury and government agencies	Banks	Corporates			Sub-total	Consumers	Total
			General business	Small & medium sized enterprise	Project financing and others			
Value of collateral (*)	-	-	661,778	225,045	188,986	1,075,809	327,123	1,402,932
Value of collateral (*)	-	-	482,680	236,954	42,166	761,800	250,583	1,012,383

Impaired loans	December 31, 2015							
	Korean treasury and government agencies	Banks	Corporates			Sub-total	Consumers	Total
			General business	Small & medium sized enterprise	Project financing and others			
Value of collateral (*)	-	2,331	949,991	250,948	510,211	1,711,150	365,651	2,079,132
Value of collateral (*)	-	-	840,461	285,873	174,918	1,301,252	294,725	1,595,977

(\*) The value of collateral held is recoverable amount used when calculating allowance for credit losses.

Allowances for credit losses, for impaired loans and receivables amounting to 1,150,756 million Won and 1,598,199 million Won as of December 31, 2016 and 2015, respectively, are deducted from the impaired loans and receivables above.

#### 4) Credit quality of debt securities

The Group manages debt securities based on the external credit rating. Credit soundness of debt securities on the basis of External Credit Assessment Institution (“ECAI”)’s rating is as follows (Unit: Korean Won in millions):

December 31, 2016				
	Financial assets at FVTPL (*)	AFS debt securities	HTM securities	Total
AAA	1,658,332	12,490,934	13,342,384	27,491,650
AA- ~ AA+	720,535	3,372,310	466,401	4,559,246
BBB- ~ A+	266,049	618,736	101,466	986,251
Below BBB-	4,348	59,908	-	64,256
Total	<u>2,649,264</u>	<u>16,541,888</u>	<u>13,910,251</u>	<u>33,101,403</u>

December 31, 2015				
	Financial assets at FVTPL (*)	AFS debt securities	HTM securities	Total
AAA	1,670,647	11,802,897	13,158,286	26,631,830
AA- ~ AA+	651,103	2,238,670	380,541	3,270,314
BBB- ~ A+	295,656	656,238	82,813	1,034,707
Below BBB-	986	25,772	-	26,758
Total	<u>2,618,392</u>	<u>14,723,577</u>	<u>13,621,640</u>	<u>30,963,609</u>

(\*)Financial assets at FVTPL comprise debt securities held for trading and financial assets designated at FVTPL.



## (2) Market risk

Market risk is the possible risk of loss arising from trading activities and non-trading activities in the volatility of market factors such as interest rates, stock prices and foreign exchange rates. Market risk occurs as a result of changes in the interest rates and foreign exchange rates for financial instruments that are not yet settled, and all contracts are exposed to a certain level of volatility according to changes in the interest rates, credit spreads, foreign exchange rates and the price of equity securities.

### 1) Market risk management

For trading activities and non-trading activities, the Group avoids, bears, or mitigates risks by identifying the underlying source of the risks, measuring parameters and evaluating their appropriateness.

On a yearly basis, the Risk Management Committee establishes a Value at Risk (“VaR”, maximum losses) limit, loss limit and risk capital limit by subsidiaries for its management purposes. The limit by investment desk/dealer is independently managed to the extent of the limit given to subsidiaries and the limit by investment and loss cut is managed by the risk management personnel with department.

The Group uses both a standard-based and an internal model-based approach to measure market risk. The standard-based approach is used to calculate individual market risk of owned capital while the internal model-based approach is used to calculate general capital market risk and it is used to measure internal risk management measure. For the trading activities, the Risk Management department measures the VaR limit by each department, risk factor and loss limit on a daily basis and reports regularly to the Risk Management Committee.

### 2) Sensitivity analysis of market risk

The Group performs the sensitivity analyses both for trading and for non-trading activities.

For trading activities, the Group uses a VaR model that uses certain assumptions of possible fluctuations in market condition and, by conducting simulations of gains and losses, under which the model estimates the maximum losses that may occur. A VaR model predicts based on statistics of possible losses on the portfolio at a certain period currently or in the future. It indicates the maximum expected loss with at least 99% credibility. In short, there exists a one percent possibility that the actual loss might exceed the predicted loss generated from the VaR calculation. The actual results are periodically monitored to examine the validity of the assumptions, variables, and factors that are used in VaR calculations. However, this approach cannot prevent the loss when the market fluctuation exceeds expectation.

For the non-trading activities, interest rate Earning at Risk (“EaR”) and interest rate VaR, which is based on the simulations of the Net Interest Income (“NII”) and Net Present Value (“NPV”), are calculated for the Bank, and the risks for all other subsidiaries are measured and managed by the interest rate EaR and the interest rate VaR calculations based on the Bank for International Settlements (“BIS”) Framework.

NII is a profit-based indicator for displaying the profit changes in short term due to the short-term interest changes. It will be estimated as subtracting interest expenses of liabilities from the interest income of assets. NPV is an indicator for displaying risks in economic view according to unfavorable changes related to interest rate. It will be estimated as subtracting the present value of liabilities from the present value of assets.

EaR shows the maximum profit-loss amount, which indicates the maximum deduction amount caused by the unfavorable changes related to the interest rate of a certain period (i.e. 1 year). Interest rate VaR shows the potential maximum loss generated by the unfavorable changes during a certain period of time in the present or future.

a) Trading activities

The minimum, maximum and average Value at Risk (“VaR”) for the year ended December 31, 2016 and 2015, respectively, and the VaR as of December 31, 2016 and 2015, respectively, are as follows (Unit: Korean Won in millions):

Risk factor	As of	For the year ended			As of	For the year ended		
	December	December 31, 2016			December	December 31, 2015		
	31, 2016	Average	Maximum	Minimum	31, 2015	Average	Maximum	Minimum
Interest rate	3,250	2,844	6,430	1,367	2,907	2,742	3,991	1,211
Stock price	4,191	3,456	5,063	2,304	3,186	2,411	4,377	531
Foreign currencies	4,396	4,914	7,686	3,967	3,997	3,415	4,847	2,329
Commodity price	152	113	325	21	117	102	218	5
Diversification	(5,630)	(5,355)	(10,385)	(4,034)	(5,017)	(3,858)	(6,910)	(411)
Total VaR(*)	6,359	5,972	9,119	3,625	5,190	4,812	6,523	3,665

(\*) VaR= Value at Risk

b) Non-trading activities

The NII and NPV are calculated for the assets and liabilities owned by the Bank and consolidated trusts, respectively, by using the simulation method. The scenario responding to interest rate (“IR”) changes are as follows (Unit: Korean Won in millions):

Name of scenario	December 31, 2016		December 31, 2015	
	NII (*1)	NPV (*2)	NII (*1)	NPV (*2)
Base case	4,367,411	21,556,632	4,248,972	22,441,148
Base case (Prepay)	4,384,783	20,666,425	4,243,033	21,418,343
IR 100bp up	4,802,118	20,893,490	4,628,056	21,747,451
IR 100bp down	3,903,129	22,279,204	3,863,665	23,192,051
IR 200bp up	5,236,879	20,289,742	5,007,090	21,107,510
IR 200bp down	2,975,351	23,052,848	3,137,452	23,998,930
IR 300bp up	5,671,639	19,742,627	5,386,122	20,517,630
IR 300bp down	1,968,273	25,096,193	2,123,516	25,345,104

(\*1) Net Interest Income

(\*2) Net Portfolio Value

The interest EaR and VaR are calculated based on the BIS Framework of other subsidiaries other than the Bank and consolidated trusts are as follows (Unit: Korean Won in millions):

December 31, 2016		December 31, 2015	
EaR	VaR	EaR	VaR
188,381	110,335	153,717	80,086

The Group estimates and manages risks related to changes in interest rate due to the difference in the maturities of interest-bearing assets and liabilities and discrepancies in the terms of interest rates. Cash flows of principal amounts and interests from interest bearing assets and liabilities by re-pricing date are as follows (Unit: Korean Won in millions):

	December 31, 2016						Total
	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	Over 5 years	
Asset:							
Loans and receivables	148,237,350	42,032,667	8,064,502	7,757,087	55,838,192	35,245,734	297,175,532
AFS financial assets	3,165,094	2,946,992	2,854,514	2,915,226	5,029,918	713,596	17,625,340
HTM financial assets	2,770,079	1,515,213	1,246,503	1,143,170	6,853,951	892,030	14,420,946
Total	154,172,523	46,494,872	12,165,519	11,815,483	67,722,061	36,851,360	329,221,818
Liability:							
Deposits due to customers	100,051,821	36,614,529	25,028,378	25,017,836	34,513,004	40,737	221,266,305
Borrowings	13,772,710	1,044,748	491,330	368,431	2,816,565	421,677	18,915,461
Debentures	2,109,235	2,077,681	860,455	1,545,943	14,613,799	4,143,773	25,350,886
Total	115,933,766	39,736,958	26,380,163	26,932,210	51,943,368	4,606,187	265,532,652

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	December 31, 2015						
	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	Over 5 years	Total
Asset:							
Loans and receivables	140,191,350	41,178,643	8,201,386	8,043,459	50,083,399	30,613,803	278,312,040
AFS financial assets	1,346,353	2,176,565	2,821,168	2,031,687	6,480,914	702,884	15,559,571
HTM financial assets	1,980,893	1,652,225	1,191,175	1,611,999	6,957,745	922,081	14,316,118
Total	<u>143,518,596</u>	<u>45,007,433</u>	<u>12,213,729</u>	<u>11,687,145</u>	<u>63,522,058</u>	<u>32,238,768</u>	<u>308,187,729</u>
Liability:							
Deposits due to customers	96,907,809	31,975,594	21,386,037	28,539,885	30,592,054	26,732	209,428,111
Borrowings	13,631,363	1,601,846	900,149	498,146	3,088,516	499,110	20,219,130
Debentures	3,056,172	1,142,939	747,728	2,028,080	12,197,477	4,584,085	23,756,481
Total	<u>113,595,344</u>	<u>34,720,379</u>	<u>23,033,914</u>	<u>31,066,111</u>	<u>45,878,047</u>	<u>5,109,927</u>	<u>253,403,722</u>

### 3) Currency risk

Currency risk arises from monetary financial instruments denominated in foreign currencies other than the functional currency. Therefore, no currency risk arises from non-monetary items or financial instruments denominated in the functional currency.

Financial instruments in foreign currencies exposed to currency risk are as follows (Unit: USD in millions, JPY in millions, CNY in millions, EUR in millions, and Korean Won in millions):

		December 31, 2016									
		USD		JPY		CNY		EUR		Others	Total
		Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Won equivalent	Won equivalent
<b>Asset:</b>											
Loans and receivables		22,868	27,635,970	108,944	1,129,539	23,194	4,018,678	1,548	1,962,856	4,382,990	39,130,033
Financial assets at		66	79,386	57	589	-	-	30	37,562	34,124	151,661
FVTPL											
AFS financial assets		898	1,085,108	-	-	80	13,844	-	570	144,799	1,244,321
HTM financial assets		17	20,517	-	-	-	-	-	-	143,535	164,052
Total		<u>23,849</u>	<u>28,820,981</u>	<u>109,001</u>	<u>1,130,128</u>	<u>23,274</u>	<u>4,032,522</u>	<u>1,578</u>	<u>2,000,988</u>	<u>4,705,448</u>	<u>40,690,067</u>
		December 31, 2016									
		USD		JPY		CNY		EUR		Others	Total
		Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Won equivalent	Won equivalent
<b>Liability:</b>											
Financial liabilities at											
FVTPL		75	90,908	253	2,621	-	-	88	111,098	115,980	320,607
Deposits due to											
customer		11,294	13,648,729	124,790	1,293,835	18,950	3,283,291	651	825,165	2,402,076	21,453,096
Borrowings		7,193	8,692,792	3,243	33,625	-	-	222	280,894	115,332	9,122,643
Debentures		2,931	3,541,769	-	-	700	121,282	-	-	228,720	3,891,771
Other financial											
liabilities		2,235	2,700,703	12,390	128,464	1,508	261,278	245	310,396	846,990	4,247,831
Total		<u>23,728</u>	<u>28,674,901</u>	<u>140,676</u>	<u>1,458,545</u>	<u>21,158</u>	<u>3,665,851</u>	<u>1,206</u>	<u>1,527,553</u>	<u>3,709,098</u>	<u>39,035,948</u>
Off-balance accounts		8,593	10,384,163	28,675	297,304	1,061	183,883	374	473,845	312,187	11,651,382
		December 31, 2015									
		USD		JPY		CNY		EUR		Others	Total
		Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Won equivalent	Won equivalent
<b>Asset:</b>											
Loans and receivables		25,178	29,509,364	112,138	1,089,991	16,177	2,887,324	1,141	1,460,773	3,163,999	38,111,451
Financial assets at											
FVTPL		143	167,270	113	1,096	-	-	1	987	428	169,781
AFS financial assets		483	565,872	-	-	211	37,671	-	622	80,273	684,438
HTM financial assets		13	15,288	-	-	-	-	-	-	80,553	95,841
Total		<u>25,817</u>	<u>30,257,794</u>	<u>112,251</u>	<u>1,091,087</u>	<u>16,388</u>	<u>2,924,995</u>	<u>1,142</u>	<u>1,462,382</u>	<u>3,325,253</u>	<u>39,061,511</u>
		December 31, 2015									
		USD		JPY		CNY		EUR		Others	Total
		Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Won equivalent	Won equivalent
<b>Liability:</b>											
Financial liabilities at											
FVTPL		149	174,554	499	4,853	-	-	33	42,299	98,312	320,018
Deposits due to											
customer		11,701	13,713,829	114,940	1,117,225	15,174	2,708,309	301	385,077	1,204,774	19,129,214
Borrowings		8,757	10,262,750	17,834	173,350	276	49,231	441	565,235	111,447	11,162,013
Debentures		3,054	3,578,711	5,680	55,209	900	160,632	33	42,257	503,066	4,339,875
Other financial											
liabilities		2,150	2,519,715	3,176	30,867	2,850	508,596	69	88,658	706,388	3,854,224
Total		<u>25,811</u>	<u>30,249,559</u>	<u>142,129</u>	<u>1,381,504</u>	<u>19,200</u>	<u>3,426,768</u>	<u>877</u>	<u>1,123,526</u>	<u>2,623,987</u>	<u>38,805,344</u>
Off-balance accounts		9,914	11,619,118	26,451	257,103	797	142,208	528	676,588	504,092	13,199,109

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## (3) Liquidity risk

Liquidity risk refers to the risk that the Group may encounter difficulties in meeting obligations from its financial liabilities.

## 1) Liquidity risk management

Liquidity risk management is to prevent potential cash shortages as a result of mismatching the use of funds (assets) and sources of funds (liabilities) or unexpected cash outflows. The financial liabilities that are relevant to liquidity risk are incorporated within the scope of risk management. Derivatives instruments are excluded from those financial liabilities as they reflect expected cash flows for a pre-determined period.

Assets and liabilities are grouped by account under Asset Liability Management (“ALM”) in accordance with the characteristics of the account. The Group manages liquidity risk by identifying maturity gap, and then gap ratio through performing various cash flows analysis (i.e. based on remaining maturity and contract period, etc.), while maintaining the gap ratio at or below the target limit.

## 2) Maturity analysis of non-derivative financial liabilities

a) Cash flows of principals and interests by remaining contractual maturities of non-derivative financial liabilities are as follows (Unit: Korean Won in millions):

	December 31, 2016						Total
	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	Over 5 years	
Financial liabilities at							
FVTPL	678,813	1,529	94	47	154,325	-	834,808
Deposits due to customers	136,835,315	28,685,473	19,254,108	30,875,962	6,284,092	2,732,019	224,666,969
Borrowings	9,146,895	2,355,336	876,836	1,486,710	4,711,273	420,720	18,997,770
Debentures	2,108,780	2,077,387	860,596	1,518,524	14,641,016	4,116,768	25,323,071
Other financial liabilities	14,813,948	27,544	5,480	1,433	84,792	2,751,825	17,685,022
Total	<u>163,583,751</u>	<u>33,147,269</u>	<u>20,997,114</u>	<u>33,882,676</u>	<u>25,875,498</u>	<u>10,021,332</u>	<u>287,507,640</u>
	December 31, 2015						
	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities at							
FVTPL	730,495	408	54	11,850	161,537	-	904,344
Deposits due to customers	123,618,943	25,623,490	17,391,363	35,942,949	7,623,477	2,716,859	212,917,081
Borrowings	8,678,642	2,504,599	2,126,241	1,155,179	5,311,041	499,722	20,275,424
Debentures	3,055,973	1,143,005	747,870	2,027,915	12,197,268	4,584,002	23,756,033
Other financial liabilities	8,448,045	25,530	4,504	2,429	84,660	2,589,577	11,154,745
Total	<u>144,532,098</u>	<u>29,297,032</u>	<u>20,270,032</u>	<u>39,140,322</u>	<u>25,377,983</u>	<u>10,390,160</u>	<u>269,007,627</u>



- b) Cash flows of principals and interests by expected maturities of non-derivative financial liabilities are as follows (Unit: Korean Won in millions):

	December 31, 2016						Total
	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	Over 5 years	
Financial liabilities at FVTPL	678,813	1,529	94	47	154,325	-	834,808
Deposits due to customers	148,089,355	30,163,971	17,600,803	20,947,335	5,128,387	2,331,993	224,261,844
Borrowings	9,146,901	2,355,332	876,835	1,486,710	4,711,273	420,719	18,997,770
Debentures	2,108,780	2,077,387	860,596	1,518,524	14,641,016	4,116,768	25,323,071
Other financial liabilities	14,813,948	27,544	5,480	1,433	84,792	2,751,825	17,685,022
Total	174,837,797	34,625,763	19,343,808	23,954,049	24,719,793	9,621,305	287,102,515

	December 31, 2015						Total
	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	Over 5 years	
Financial liabilities at FVTPL	730,495	408	54	11,850	161,537	-	904,344
Deposits due to customers	129,716,295	27,884,256	16,876,865	28,164,198	6,506,300	3,384,994	212,532,908
Borrowings	8,678,664	2,504,588	2,126,234	1,155,176	5,311,041	499,722	20,275,425
Debentures	3,055,973	1,143,005	747,870	2,027,915	12,197,268	4,584,002	23,756,033
Other financial liabilities	8,454,338	25,530	4,504	2,429	84,660	2,589,577	11,161,038
Total	150,635,765	31,557,787	19,755,527	31,361,568	24,260,806	11,058,295	268,629,748

- 3) Maturity analysis of derivative financial liabilities is as follows (Unit: Korean Won in millions):

Derivatives held for trading purpose are not managed in accordance with their contractual maturity, but the Group holds such financial instruments with the purpose of disposing or redemption before their maturity. As such, those derivatives are incorporated as "within 3 months" in the table below. The cash flow from derivatives held for hedge purpose is estimated at the amount after the offset of the cash inflow and outflow.

The cash flow by the maturity of derivative financial liabilities as of December 31, 2016 and 2015 as follow:

	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	Over 5 years	Total
December 31, 2016	3,009,977	-	-	208	7,013	-	3,017,198
December 31, 2015	2,580,827	-	-	-	-	-	2,580,827

- 4) Maturity analysis of off-balance accounts

The Group provides guarantees on behalf of customers. A financial guarantee represents an irrevocable undertaking that the Group should meet a customer's obligations to third parties if the customer fails to do so. Under a loan commitment, the Group agrees to make funds available to a customer in the future. Loan commitments that are usually for a specified term may be unconditionally cancellable or may persist, provided all conditions in the loan facility are satisfied or waived. Commitments to lend include commercial standby facilities and credit lines, liquidity facilities to commercial paper conduits and utilized overdraft facilities. The maximum limit to be paid by the Group in accordance with guarantees and loan commitment only applies to principal amounts. There are contractual maturities for financial guarantees, such as guarantees for debentures issued or loans, loan commitments, and other guarantees, however, under the terms of the guarantees and loan commitments, funds should be paid upon demand from the counterparty. Details of off-balance accounts are as follows (Unit: Korean Won in millions):

	December 31, 2016	December 31, 2015
Guarantees	14,761,784	17,315,443
Loan commitments	83,795,496	88,211,580

## (4) Operational risk

The Group defines the operational risk that could cause a negative effect on capital resulting from inadequate internal process, labor work and systematic problem or external factors.

## 1) Operational risk management

The Group has been running the operational risk management system under Basel II. The Group developed advanced measurement approach to quantify required capital for operational risk. This system is used for reinforcement in foreign competitions, reducing the amount of risk capitals, managing the risk, and precaution for any unexpected occasions. This system has been tested by the independent third party, and this system approved by the Financial Supervisory Service.

## 2) Operational risk measurement

To quantify required capital for operational risk, the Group applies Advanced Measurement Approaches (AMA) using of internal and external loss data, business environment and internal control factors (BEICFs), and scenario analysis (SBA). For the operational risk management for its subsidiaries, the Group adopted the Basic Indicator Approach.

## (5) Capital management

The Group complies with the standard of capital adequacy provided by financial regulatory authorities. The capital adequacy ratio is based on Basel III of Basel Committee on Banking Supervision and Basel III was applied from the end of December, 2013. The capital adequacy ratio is calculated by dividing own capital by asset (weighted with a risk premium – risk weighted assets) based on the consolidated financial statements of the Group.

According to this regulation, the Group is required to meet the following new minimum requirements: 5.38% and 4.5% Common Equity Tier 1 capital ratio, 6.88% and 6.00% Tier 1 capital ratio, and 8.88% and 8.00% total capital ratio as of December 31, 2016 and December 31, 2015, respectively. When the Group excludes the five subsidiaries (Woori Card Co., Ltd., Woori Investment Bank Co., Ltd., Woori FIS Co., Ltd., Woori Private Equity Asset Management Co., Ltd. and Woori Finance Research Institute Co., Ltd.), from the calculation of the capital adequacy ratios, then the common share capital ratio 11.38%, the basic capital ratio 13.76%, and the total capital ratio 16.59%, as of December 31, 2016. The details are as following (Unit: Korean won in millions):

	December 31, 2016	December 31, 2015
Tier 1 capital	15,714,480	13,047,567
Other Tier 1 capital	3,275,496	3,016,309
Tier 2 capital	3,910,513	4,987,529
Total risk-adjusted capital	<u>22,900,489</u>	<u>21,051,405</u>
Risk-weighted assets for credit risk	138,018,500	142,127,112
Risk-weighted assets for market risk	2,277,809	2,595,566
Risk-weighted assets for operational risk	9,431,814	9,348,221
Total risk-weighted assets	<u>149,728,123</u>	<u>154,070,899</u>
Common Equity Tier 1 ratio	10.50%	8.47%
Tier 1 capital ratio	12.68%	10.43%
Total capital ratio	15.29%	13.66%

## 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, credit card and headquarters and others. The reportable segments are classified based on the target customers for whom the service is being provided.

- 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.
- Credit Card: Credit card, cash service and card loan, 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, 2016								
		Consumer banking	Corporate banking	Investment banking	Capital market	Credit Card	Headquarter and Others	Sub-total	Inter-segment transaction	Total
Assets		105,931,025	104,937,198	6,337,634	8,111,230	7,606,108	82,840,235	315,763,430	(5,080,703)	310,682,727
Liabilities		62,294,922	162,937,921	55,785	7,287,850	6,180,893	51,137,220	289,894,591	242,183	290,136,774

		December 31, 2015								
		Consumer banking	Corporate banking	Investment banking	Capital market	Credit Card	Headquarter and Others	Sub-total	Inter-segment transaction	Total
Assets		95,612,964	107,313,193	6,646,754	7,903,460	6,604,059	73,713,629	297,794,059	(5,934,987)	291,859,072
Liabilities		46,049,309	170,127,944	41,772	6,410,552	5,295,225	42,578,200	270,503,002	2,046,155	272,549,157

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

		For the year ended December 31, 2016								
		Consumer banking	Corporate banking	Investment banking	Capital market	Credit Card	Headquarter and Others	Sub-total	Inter-segment transaction	Total
Net Interest income		1,484,233	1,741,140	14,613	48,826	428,095	713,678	4,430,585	588,959	5,019,544
Interest income		2,979,811	3,026,148	153,160	19,575	556,681	1,492,148	8,227,523	284,789	8,512,312
Interest expense		(1,023,290)	(1,780,990)	(225)	(324)	(128,586)	(863,523)	(3,796,938)	304,170	(3,492,768)
Inter-segment		(472,288)	495,982	(138,322)	29,575	-	85,053	-	-	-
Net non-interest income		557,410	550,194	160,885	4,033	79,713	302,800	1,655,035	(955,696)	699,339
Non-interest income		923,810	535,514	605,026	7,590,087	986,147	4,563,280	15,203,864	(433,880)	14,769,984
Non-interest expense		(405,912)	(32,873)	(444,141)	(7,586,054)	(906,434)	(4,173,415)	(13,548,829)	(521,816)	(14,070,645)
Inter-segment		39,512	47,553	-	-	-	(87,065)	-	-	-
Other expense		(1,875,579)	(1,476,190)	(110,863)	(51,995)	(364,137)	(574,606)	(4,453,370)	308,693	(4,144,677)
Administrative expense		(1,788,672)	(966,878)	(14,983)	(17,964)	(148,001)	(793,978)	(3,730,476)	252,001	(3,478,475)
Impairment losses on credit loss and others		(86,907)	(509,312)	(95,880)	(34,031)	(216,136)	219,372	(722,894)	56,692	(666,202)
Operating income		166,064	815,144	64,635	864	143,671	441,872	1,632,250	(58,044)	1,574,206
Non-operating income		(35,081)	(1,619)	46,559	(5,288)	(1,504)	55,291	58,358	(79,175)	(20,817)
Net income before income tax expense		130,983	813,525	111,194	(4,424)	142,167	497,163	1,690,608	(137,219)	1,553,389
Income tax expense		(31,698)	(203,983)	(26,909)	1,071	(32,774)	16,475	(277,818)	1,962	(275,856)
Net income		99,285	609,542	84,285	(3,353)	109,393	513,638	1,412,790	(135,257)	1,277,533

For the year ended December 31, 2015

	Consumer banking	Corporate banking	Investment banking	Capital market	Credit Card	Headquarter and Others	Sub-total	Inter- segment transaction	Total
Net Interest income	1,289,088	1,699,913	5,601	40,913	378,019	743,092	4,156,626	605,274	4,761,900
Interest income	2,850,985	3,255,796	154,460	19,394	500,449	1,585,636	8,366,720	331,515	8,698,235
Interest expense	(1,227,921)	(1,880,195)	(18)	(81)	(122,430)	(979,449)	(4,210,094)	273,759	(3,936,335)
Inter-segment	(333,976)	324,312	(148,841)	21,600	-	136,905	-	-	-
Net non-interest income	554,957	513,686	115,111	18,015	98,034	279,437	1,579,240	(947,937)	631,303
Non-interest income	886,057	503,321	489,659	5,760,567	871,486	3,245,543	11,756,633	(366,953)	11,389,680
Non-interest expense	(353,032)	(25,993)	(374,548)	(5,742,552)	(773,452)	(2,907,816)	(10,177,393)	(580,984)	(10,758,377)
Inter-segment	21,932	36,358	-	-	-	(58,290)	-	-	-
Other expense	(1,790,292)	(1,795,561)	53,089	(44,187)	(321,265)	(470,592)	(4,368,808)	327,191	(4,041,617)
Administrative expense	(1,782,234)	(925,566)	(14,933)	(16,945)	(124,362)	(553,539)	(3,417,579)	267,190	(3,150,389)
Impairment losses on credit loss and others	(8,058)	(869,995)	68,022	(27,242)	(196,903)	82,947	(951,229)	60,001	(891,228)
Operating income	53,753	418,038	173,801	14,741	154,788	551,937	1,367,058	(15,472)	1,351,586
Non-operating income	(19,113)	(2,189)	43,728	197	(5,150)	136,954	154,427	(54,067)	100,360
Net income before income tax expense	34,640	415,849	217,529	14,938	149,638	688,891	1,521,485	(69,539)	1,451,946
Income tax expense	(8,383)	(98,886)	(52,642)	(3,615)	(32,780)	(136,891)	(333,197)	(43,357)	(376,554)
Net income	26,257	316,963	164,887	11,323	116,858	552,000	1,188,288	(112,896)	1,075,392

## (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

Among the Group's revenue (interest income and non-interest income) from services, revenue from the domestic customers for the years ended December 31, 2016 and 2015 amounted to 22,265,508 million Won and 18,974,359 million Won, respectively, and revenue from the foreign customers amounted to 1,016,788 million Won and 1,113,556 million Won, respectively. Among 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, 2016 and 2015 are 3,498,327 million Won and 3,666,276 million Won, respectively, and foreign subsidiaries are 240,946 million Won and 220,093 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, 2016</u>	<u>December 31, 2015</u>
Cash and checks	2,113,739	2,091,064
Foreign currencies	742,340	656,183
Demand deposits	4,238,956	3,286,747
Fixed deposits	496,289	610,061
Total	<u>7,591,324</u>	<u>6,644,055</u>

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

	<u>For the years ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Changes in other comprehensive income due to valuation of AFS financial assets	12,586	72,297
Changes in other comprehensive income (loss) of investment in associates	(7,937)	3,295
Changes in other comprehensive income of foreign operations translation	28,712	33,837
Changes in other comprehensive income related to valuation of cash flow hedging	10,371	-
Changes in other comprehensive income (loss) due to remeasurement of the net defined benefit liability	34,162	(78,267)
Changes in investments in associates due to equity swap and others	-	83,002
Changes in investments in associates due to accounts transfer	(156,708)	-
Changes in unpaid dividends of hybrid equity securities	5,187	3,562
Changes in payables due to intangible assets	-	125,446



**7. FINANCIAL ASSETS AT FVTPL**

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Financial assets held for trading	5,633,724	5,120,062
Financial assets designated at FVTPL	17,000	12,595
Total	<u>5,650,724</u>	<u>5,132,657</u>

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Deposits:		
Gold banking assets	26,180	24,884
Securities:		
Debt securities		
Korean treasury and government agencies	519,337	798,397
Financial institutions	1,444,459	1,175,303
Corporates	681,120	643,706
Equity securities	35,983	62,945
Beneficiary certificates	23,891	14,017
Securities loaned	4,459	10,313
Sub-total	<u>2,709,249</u>	<u>2,704,681</u>
Derivatives assets	<u>2,898,295</u>	<u>2,390,497</u>
Total	<u>5,633,724</u>	<u>5,120,062</u>

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Debt securities	4,348	986
Equity securities	12,652	11,609
Total	<u>17,000</u>	<u>12,595</u>

## 8. AVAILABLE FOR SALE FINANCIAL ASSETS

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

		As of December 31, 2016			
		Amortized	Unrealized	Unrealized	Fair value
		cost	gains	losses	
Debt securities:					
	Korean treasury and government agencies	3,778,688	13,700	(3,758)	3,788,630
	Financial institutions	6,310,517	7,585	(3,904)	6,314,198
	Corporates	4,336,195	93,957	(20,966)	4,409,186
	Asset-backed securities	250,630	-	(1,427)	249,203
	Bond denominated in foreign currencies	1,226,893	1,076	(16,105)	1,211,864
	Other debt securities	73,360	1,871	(3)	75,228
	Sub-total	15,976,283	118,189	(46,163)	16,048,309
Equity securities					
	Beneficiary certificates	1,034,299	420,038	(724)	1,453,613
	Securities loaned	2,802,847	40,405	(21,170)	2,822,082
		493,625	3,040	(3,086)	493,579
	Total	20,307,054	581,672	(71,143)	20,817,583
		As of December 31, 2015			
		Amortized	Unrealized	Unrealized	Fair value
		cost	gains	losses	
Debt securities:					
	Korean treasury and government agencies	3,529,997	28,880	(88)	3,558,789
	Financial institutions	5,598,416	27,473	(64)	5,625,825
	Corporates	3,809,370	79,303	(692)	3,887,981
	Asset-backed securities	260,198	-	(1,541)	258,657
	Bond denominated in foreign currencies	649,983	790	(12,853)	637,920
	Other debt securities	12,323	8,044	-	20,367
	Sub-total	13,860,287	144,490	(15,238)	13,989,539
Equity securities					
	Beneficiary certificates	967,911	376,079	(6,283)	1,337,707
	Securities loaned	1,119,497	23,148	(24,617)	1,118,028
	Others	717,525	2,488	(3)	720,010
		4,665	643	-	5,308
	Total	16,669,885	546,848	(46,141)	17,170,592

**9. HELD TO MATURITY FINANCIAL ASSETS**

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

	As of December 31, 2016			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Korean treasury and government agencies	3,754,356	26,366	(6,391)	3,774,331
Financial institutions	5,168,487	9,236	(4,940)	5,172,783
Corporates	4,823,356	58,176	(7,093)	4,874,439
Bond denominated in foreign currencies	164,052	-	(428)	163,624
Total	13,910,251	93,778	(18,852)	13,985,177

	As of December 31, 2015			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Korean treasury and government agencies	3,366,942	63,895	(131)	3,430,706
Financial institutions	4,138,250	26,417	(153)	4,164,514
Corporates	6,020,607	106,541	(4,460)	6,122,688
Bond denominated in foreign currencies	95,841	-	-	95,841
Total	13,621,640	196,853	(4,744)	13,813,749

**10. LOANS AND RECEIVABLES**

(1) Details of loans and receivables are as follows (Unit: Korean Won in millions):

	December 31, 2016	December 31, 2015
Due from banks	14,815,476	11,174,806
Loans	235,400,585	225,547,768
Other loan and receivables	8,176,572	8,119,488
Total	258,392,633	244,842,062

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

	December 31, 2016	December 31, 2015
Due from banks in local currency:		
Due from the Bank of Korea ("BOK")	11,395,162	6,885,516
Due from the depository banks	3	300,500
Due from non-monetary financial institutions	9,811	12,197
Due from the Korea Exchange	1,625	1,868
Others	73,283	34,525
Allowance for credit losses	(2,798)	(2,063)
Sub-total	11,477,086	7,232,543
Due from banks in foreign currencies:		
Due from banks on demand	877,636	1,945,918
Time deposits	1,684,631	1,178,081
Others	778,418	822,888
Allowance for credit losses	(2,295)	(4,624)
Sub-total	3,338,390	3,942,263
Total	14,815,476	11,174,806

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

Financial institution	Counterparty	December 31, 2016	Reason of restriction
Due from banks in local currency:			
Due from The Bank of Korea	The Bank of Korea	11,395,162	Reserve deposits under The BOK Act
Others	the Korea Exchange and others	70,304	Central counter party KRW margin and others
		<u>11,465,466</u>	
Due from banks in foreign currencies:			
Due from banks on demand	The Bank of Korea and others	854,612	Reserve deposits under The BOK Act and others
Others	The People's Bank of China and others	778,418	Deposit reserves and others
		<u>1,633,030</u>	
		<u>13,098,496</u>	
Financial institution	Counterparty	December 31, 2015	Reason of restriction
Due from banks in local currency:			
Due from The Bank of Korea	The Bank of Korea	6,885,516	Reverse deposits on The BOK Act
Others	Samsung Securities Co., Ltd. and others	34,525	Reserve deposits of the futures and options and others
		<u>6,920,041</u>	
Due from banks in foreign currencies:			
Due from banks on demand	The Bank of Korea and others	1,944,976	Reserve deposits on The BOK Act and others
Others	The People's Bank of China and others	811,168	Reserve deposits and others
		<u>2,756,144</u>	
		<u>9,676,185</u>	

(4) Details of loans are as follows (Unit: Korean Won in millions):

	December 31, 2016	December 31, 2015
Loans in local currency	191,309,481	185,154,851
Loans in foreign currencies	14,101,839	13,104,820
Domestic banker's letter of credit	3,754,030	4,805,433
Credit card accounts	6,673,765	6,099,219
Bills bought in foreign currencies	7,758,575	6,647,918
Bills bought in local currency	414,451	134,645
Factoring receivables	96,763	149,688
Advances for customers on guarantees	25,197	44,242
Privately placed bonds	328,405	330,889
Securitized loans	252,690	309,990
Call loans	2,985,077	2,758,156
Bonds purchased under resale agreements	8,854,753	7,583,743
Loan origination costs and fees	458,639	435,005
Others	251,635	45,622
Present value discount	(13,827)	(4,985)
Allowance for credit losses	(1,850,888)	(2,051,468)
Total	<u>235,400,585</u>	<u>225,547,768</u>

- (5) Details of other loan and receivables are as follows (Unit: Korean Won in millions):

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
CMA accounts	190,000	213,000
Receivables	5,417,676	5,648,159
Accrued income	1,080,489	971,179
Telex and telephone subscription rights and refundable deposits	1,019,577	1,056,309
Other receivables	639,945	650,743
Allowance for credit losses	(171,115)	(419,902)
Total	<u>8,176,572</u>	<u>8,119,488</u>

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

	<u>For the year ended December 31, 2016</u>				
	<u>Consumers</u>	<u>Corporates</u>	<u>Credit card</u>	<u>Others</u>	<u>Total</u>
Beginning balance	(203,433)	(1,686,194)	(145,810)	(442,620)	(2,478,057)
Net provision	(73,356)	(536,359)	(207,730)	(73,318)	(890,763)
Recoveries of loans previously charged off	(53,679)	(192,183)	(44,393)	(19,233)	(309,488)
Charge-offs	155,424	722,359	242,561	236,857	1,357,201
Sales of loans and receivables	2,055	113,177	-	91,800	207,032
Unwinding effect	10,319	66,901	-	-	77,220
Others	(1,188)	13,457	-	(2,510)	9,759
Ending balance	<u>(163,858)</u>	<u>(1,498,842)</u>	<u>(155,372)</u>	<u>(209,024)</u>	<u>(2,027,096)</u>

	<u>For the year ended December 31, 2015</u>				
	<u>Consumers</u>	<u>Corporates</u>	<u>Credit card</u>	<u>Others</u>	<u>Total</u>
Beginning balance	(326,435)	(2,128,090)	(129,117)	(370,264)	(2,953,906)
Net provision	(103,166)	(744,416)	(180,563)	(83,994)	(1,112,139)
Recoveries of loans previously charged off	(29,219)	(198,089)	(34,207)	-	(261,515)
Charge-offs	240,541	1,139,102	198,077	592	1,578,312
Sales of loans and receivables	2,518	138,055	-	866	141,439
Unwinding effect	12,514	99,854	-	-	112,368
Others	(186)	7,390	-	10,180	17,384
Ending balance	<u>(203,433)</u>	<u>(1,686,194)</u>	<u>(145,810)</u>	<u>(442,620)</u>	<u>(2,478,057)</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, and debt securities issued by governmental bodies.
- 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 over-the-counter ("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, 2016			Total
	Level 1 (*1)	Level 2 (*1)	Level 3 (*2)	
Financial assets:				
Financial assets held for trading				
Deposits	26,180	-	-	26,180
Debt securities	370,636	2,274,280	-	2,644,916
Equity securities	35,983	-	-	35,983
Beneficiary certificates	-	23,891	-	23,891
Securities loaned	4,459	-	-	4,459
Derivative assets	3,233	2,871,909	23,153	2,898,295
Sub-total	440,491	5,170,080	23,153	5,633,724
Financial assets designed at FVTPL				
Debt securities	-	-	4,348	4,348
Equity securities	-	-	12,652	12,652
Sub-total	-	-	17,000	17,000
AFS financial assets				
Debt securities	2,288,917	13,759,392	-	16,048,309
Equity securities	428,678	-	1,024,935	1,453,613
Beneficiary certificates	-	2,291,571	530,511	2,822,082
Securities loaned	391,279	102,300	-	493,579
Sub-total	3,108,874	16,153,263	1,555,446	20,817,583
Derivative assets				
Total	-	140,478	99	140,577
	3,549,365	21,463,821	1,595,698	26,608,884
Financial liabilities:				
Financial liabilities held for trading				
Deposits	26,501	-	-	26,501
Derivative liabilities	1,750	2,974,703	33,524	3,009,977
Sub-total	28,251	2,974,703	33,524	3,036,478
Financial liabilities designated at FVTPL				
Equity-linked securities	-	197	673,709	673,906
Debentures	-	92,974	-	92,974
Sub-total	-	93,171	673,709	766,880
Derivative liabilities				
Total	-	7,221	-	7,221
	28,251	3,075,095	707,233	3,810,579

	December 31, 2015			
	Level 1 (*1)	Level 2 (*1)	Level 3 (*2)	Total
<b>Financial assets:</b>				
<b>Financial assets held for trading</b>				
Deposits	24,884	-	-	24,884
Debt securities	689,600	1,927,806	-	2,617,406
Equity securities	62,945	-	-	62,945
Beneficiary certificates	-	14,017	-	14,017
Securities loaned	10,313	-	-	10,313
Derivative assets	419	2,311,402	78,676	2,390,497
Sub-total	<u>788,161</u>	<u>4,253,225</u>	<u>78,676</u>	<u>5,120,062</u>
<b>Financial assets designated at FVTPL</b>				
Debt securities	-	-	986	986
Equity securities	-	-	11,609	11,609
Sub-total	<u>-</u>	<u>-</u>	<u>12,595</u>	<u>12,595</u>
<b>AFS financial assets</b>				
Debt securities	2,235,229	11,754,310	-	13,989,539
Equity securities	344,339	-	993,368	1,337,707
Beneficiary certificates	-	740,958	377,070	1,118,028
Securities loaned	615,570	104,440	-	720,010
Others	-	-	5,308	5,308
Sub-total	<u>3,195,138</u>	<u>12,599,708</u>	<u>1,375,746</u>	<u>17,170,592</u>
Derivative assets	-	177,155	5,973	183,128
Total	<u>3,983,299</u>	<u>17,030,088</u>	<u>1,472,990</u>	<u>22,486,377</u>
<b>Financial liabilities:</b>				
<b>Financial liabilities held for trading</b>				
Deposits	24,872	-	-	24,872
Derivative liabilities	136,845	2,365,375	78,607	2,580,827
Sub-total	<u>161,717</u>	<u>2,365,375</u>	<u>78,607</u>	<u>2,605,699</u>
<b>Financial liabilities designated at FVTPL</b>				
Equity-linked securities	-	10,660	747,351	758,011
Debentures	-	96,851	-	96,851
Sub-total	<u>-</u>	<u>107,511</u>	<u>747,351</u>	<u>854,862</u>
Total	<u>161,717</u>	<u>2,472,886</u>	<u>825,958</u>	<u>3,460,561</u>

- (\*1) There was no transferred between level 1 and level 2 of financial assets and liabilities measured at fair value. The Group recognizes transfers between levels at the end of reporting period in which events have occurred or conditions have changed.
- (\*2) Certain AFS financial assets were measured at cost as of December 31, 2016 and 2015, that are amounting to 43,202 million Won and 42,451 million Won, respectively. These unquoted equity instruments mostly represent minority investments in special purpose 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.

Certain financial assets are carried at cost, even though under K-IFRS it is required to be remeasured at their fair value, since they do not have quoted market prices in an active market and cannot be measured reliably at fair value. The carrying amount and loss from the disposal of the financial assets which have been carried at cost amounts to 5,417 million Won and 5,197 million Won, respectively.

Financial assets and liabilities designated at FVTPL, financial assets and liabilities held for trading, 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.

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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	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:

	Fair value measurement technique	Input variable	Range	Impact of changes in significant unobservable inputs on fair value measurement
Derivative assets	Option valuation model and others	Correlation coefficient	0.305~0.980	Volatility of fair value increases as correlation increases
		Historical volatility	19.9%~40.8%	Volatility of fair value increases as historical volatility increase
Derivative liabilities	Option valuation model and others	Correlation coefficient	0.305~0.980	Volatility of fair value increases as correlation increase
		Historical volatility	19.9%~40.8%	Volatility of fair value increase due to historical volatility increase
Equity-linked securities	Monte Carlo Simulation and others	Correlation coefficient	0.017~0.716	Compound financial instrument's fair value increases as both of historical volatility and correlation increase when correlation decreases
		Historical volatility	10.4%~63.9%	However, despite of increase of historical volatility, the fair value of compound financial instrument may decrease
Equity securities	External appraisal value and others	Expected growth rate	0.0%~1.0%	Fair value increases as expected growth rate increases

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, 2016						December 31, 2016
	January 1, 2016	Net Income (loss) (*1)	Other comprehensive income (loss)	Purchases/ Issuances	Disposals/ Settlements	Transfer to or from level 3 (*2)	
<b>Financial assets:</b>							
<b>Financial assets held for trading</b>							
Derivative assets (*3)	78,676	(29,117)	-	13,640	(39,506)	(540)	23,153
<b>Financial assets designated at FVTPL</b>							
Debt securities	986	(161)	-	4,509	(986)	-	4,348
Equity securities	11,609	1,043	-	-	-	-	12,652
Sub-total	12,595	882	-	4,509	(986)	-	17,000
<b>AFS financial assets:</b>							
Equity securities (*4)	993,368	(6,986)	57,323	205,749	(205,348)	(19,171)	1,024,935
Beneficiary certificates	377,070	(868)	5,794	174,024	(25,509)	-	530,511
Others	5,308	594	(643)	-	(5,259)	-	-
Sub-total	1,375,746	(7,260)	62,474	379,773	(236,116)	(19,171)	1,555,446
<b>Derivative assets</b>							
Total	5,973	3,877	-	-	(9,751)	-	99
	1,472,990	(31,618)	62,474	397,922	(286,359)	(19,711)	1,595,698
<b>Financial liabilities:</b>							
<b>Financial liabilities held for trading</b>							
Derivative liabilities	78,607	(8,322)	-	1,155	(37,916)	-	33,524
<b>Financial liabilities designated at FVTPL</b>							
Equity-linked securities	747,351	71,079	-	-	(144,721)	-	673,709
Total	825,958	62,757	-	1,155	(182,637)	-	707,233

(\*1) The loss amounting to 94,238 million Won for the year ended December 31, 2016, which is from financial assets and liabilities that the Group holds at the end of periods, was recognized in net gain (loss) on financial instruments at FVTPL and net gain (loss) on AFS financial assets in the consolidated statement of comprehensive income.

(\*2) The Group recognizes transfers between levels at the end of reporting period within which events have occurred or conditions have changed.

(\*3) As the variables used for the valuation of currency related derivatives were observable in the market, such derivatives were transferred into level 2 from level 3.

(\*4) AFS financial assets were transferred out of level 1 to level 3 upon the change of the fair value measurement method of the assets by using market the external valuation specialists from previously using quoted prices in the active market, in the opposite case, they were transferred out of level 3 to level 1.



For the year ended December 31, 2015							
	January 1, 2015	Net Income (loss) (*1)	Other comprehensive income (loss)	Purchases/ Issuances	Disposals/ Settlements	Transfer to or from level 3 (*2)	December 31, 2015
Financial assets:							
Financial assets held for trading							
Derivatives instruments assets (*3)	49,274	71,703	-	(8,166)	(33,156)	(979)	78,676
Financial assets designed at							
FVTPL							
Equity-linked securities	6,066	-	-	-	(6,066)	-	-
Debt securities	-	(14)	-	1,000	-	-	986
Equity securities	10,567	1,042	-	-	-	-	11,609
Sub-total	16,633	1,028	-	1,000	(6,066)	-	12,595
AFS financial assets							
Equity securities (*4)	1,031,918	(57,373)	105,290	105,930	(100,018)	(92,379)	993,368
Beneficiary certificates	355,694	3,905	(24,846)	121,613	(79,296)	-	377,070
Others	14,241	(7,064)	1,370	-	(3,239)	-	5,308
Sub-total	1,401,853	(60,532)	81,814	227,543	(182,553)	(92,379)	1,375,746
Derivative assets							
Total	11,946	7,375	-	-	(13,348)	-	5,973
Total							
	1,479,706	19,574	81,814	220,377	(235,123)	(93,358)	1,472,990
Financial liabilities:							
Financial liabilities held for trading							
Derivative liabilities (*3)	41,711	58,565	-	4,008	(24,475)	(1,202)	78,607
Financial liabilities designated at							
FVTPL							
Equity-linked securities (*5)	361,993	(73,533)	-	764,005	(304,917)	(197)	747,351
Total	403,704	(14,968)	-	768,013	(329,392)	(1,399)	825,958

(\*1) The loss amounting to 2,854 million Won for the year ended December 31, 2015, which is from financial assets and liabilities that the Group holds at the end of periods, was recognized in net gain (loss) on financial instruments at FVTPL and net gain (loss) on AFS financial assets in the consolidated statement of comprehensive income.

(\*2) The Group recognizes transfers between levels at the end of reporting period within which events have occurred or conditions have changed.

(\*3) As the variables used for the valuation of equity related derivatives and interest rate related derivatives were observable in the market, such derivatives were transferred into level 2 from level 3.

(\*4) AFS financial assets were transferred out of level 1 to level 3 upon the change of the fair value measurement method of the assets by using market the external valuation specialists from previously using quoted prices in the active market, in the opposite case, they were transferred out of level 3 to level 1.

(\*5) Since the observable market data for equity-linked securities became available, such securities were transferred out of level 3 to level 2.

- (4) Sensitivity analysis through reasonable changes of the unobservable inputs used to measure Level 3 financial instruments are as follows:

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 volatility on the fair value of a level 3 financial instruments for the years ended December 31, 2016 and 2015. (Unit: Korean Won in millions):

	For the year ended December 31, 2016				For the year ended December 31, 2015			
	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)	861	(2,248)	-	-	10,674	(9,729)	-	-
Financial assets designed at FVTPL								
Equity securities(*6)	707	(657)	-	-	793	(739)	-	-
AFS Financial Assets								
Equity securities (*3)(*4)	-	-	31,412	(18,551)	-	-	37,648	(20,869)
Beneficiary certificates (*4)	-	-	2,903	(2,571)	-	-	4,102	(3,875)
Others (*5)	-	-	-	-	-	-	80	(80)
Total	1,568	(2,905)	34,315	(21,122)	11,467	(10,468)	41,830	(24,824)
Financial liabilities:								
Financial liabilities held for trading								
Derivative liabilities (*1)(*2)	4,892	(3,568)	-	-	13,469	(12,281)	-	-
Financial liabilities designated at FVTPL								
Equity-linked securities (*1)	905	(857)	-	-	2,289	(2,247)	-	-
Total	5,797	(4,425)	-	-	15,758	(14,528)	-	-

- (\*1) Fair value changes of equity related derivatives assets and liabilities and equity-linked securities are calculated by increasing or decreasing historical volatility of the stock price and correlation, which are major unobservable variables, by 10%, respectively. In the case of interest rate related derivative assets and liabilities, fair value changes are calculated by increasing or decreasing the volatility of interest rate, 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) Among the equity securities, even if the sensitivity analysis of the capital contributions and beneficiary certificates is not possible in practice, fair value changes of beneficiary certificates and other securities whose major unobservable variables are composed of the real estate are calculated by increasing or decreasing price fluctuation of real estate which is underlying assets and discount rate by 1%.
- (\*5) Fair value changes of 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 prices of trust property and real estates and discount rate are major unobservable variables.
- (\*6) Changes of fair value are measured by increasing or decreasing the discount rate by 10%, which is major unobservable variable, respectively.

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- (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, 2016				Book value
	Fair value				
	Level 1	Level 2	Level 3	Total	
Financial assets:					
HTM financial assets	741,880	13,243,297	-	13,985,177	13,910,251
Loans and receivables	-	-	259,565,952	259,565,952	258,392,633
Financial liabilities:					
Deposits due to customers	-	221,001,466	-	221,001,466	221,020,411
Borrowings	-	18,785,325	-	18,785,325	18,769,515
Debentures	-	24,004,668	-	24,004,668	23,565,449
Other financial liabilities	-	21,984,171	-	21,984,171	21,985,086
	As of December 31, 2015				Book value
	Fair value				
	Level 1	Level 2	Level 3	Total	
Financial assets:					
HTM financial assets	1,045,022	12,768,727	-	13,813,749	13,621,640
Loans and receivables	-	-	248,253,422	248,253,422	244,842,062
Financial liabilities:					
Deposits due to customers	-	208,133,241	-	208,133,241	209,141,826
Borrowings	-	20,084,789	-	20,084,789	20,033,917
Debentures	-	22,288,472	-	22,288,472	21,898,859
Other financial liabilities	-	16,961,987	-	16,961,987	16,964,206

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 and 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 and 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 and forward rate

## 12. DERECOGNITION AND OFFSET OF FINANCIAL INSTRUMENTS

### (1) Derecognition of financial assets

#### 1) Transferred financial assets that meet condition of derecognition

The book value, fair value of, and maximum exposure to loss from the financial assets that were derecognized from the separate financial statements of the Group through disposals, but the Group still have continuous involvements are as follows (Unit: Korean Won in millions):

		December 31, 2016			
		Type of continuous involvement	Book value of continuous participation	Fair value of continuous participation	Maximum exposure to loss
Conditional disposal of loans to KAMCO (*)	Post settlement		-	-	701
		December 31, 2015			
		Type of continuous involvement	Book value of continuous participation	Fair value of continuous participation	Maximum exposure to loss
Conditional disposal of loans to KAMCO (*)	Post settlement		-	-	701

(\*) For ex-post settling up amount of the collateral is not fixed yet, expected cash flow cannot be reliably measured as of December 31, 2016 and December 31, 2015, and the maximum exposure to loss is disclosed at the transfer price. Though the transfer does not qualify for derecognition in accordance with K-IFRS 1039 – *Financial Instrument: Recognition and Measurement*, the Group derecognized the financial asset from the consolidated financial statements applying exception for retrospective application of transactions before the date of transition to IFRSs in K-IFRS 1101 – *First-time Adoption of K-IFRS*.

#### 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, 2016	December 31, 2015
Assets transferred	AFS financial assets	2,546,683	603,274
	HTM financial assets	7,133	139,340
	Total	2,553,816	742,614
Related liabilities	Disposal of securities under repurchase agreements	2,004,905	671,629

## 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 and 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. The carrying amounts of securities loaned are as follows (Unit: Korean Won in millions):

		December 31, 2016	December 31, 2015	Loaned to
Financial assets at FVTPL	Equity securities-listed stock	4,459	10,313	Samsung Securities Co., Ltd. and others
AFS financial assets	Korean treasury and government agencies bonds	493,579	720,010	Korea Securities Depository
	Total	<u>498,038</u>	<u>730,323</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. The Group under the repurchase agreements has offsetting right only upon the counter-party's default, insolvency or bankruptcy, thus the repurchase agreements are applied by the TBMA/ISMA Global Master Repurchase Agreement of which do not satisfy the offsetting criteria of K-IFRS 1032. The Group disclosed bonds sold (purchased) under repurchase agreements as borrowings (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, 2016					
	Gross amounts of recognized financial assets	Gross amounts of recognized financial assets set off	Net amounts of financial assets presented	Related amounts not set off in the statement of financial position		
				offsetting agreement	Cash collateral received	Net amounts
Financial assets:						
Derivative assets and others (*1)	2,962,969	8,442	2,954,527	6,546,232	69,834	1,016,550
Receivable spot exchange (*2)	4,678,089	-	4,678,089			
Bonds purchased under resale agreements (*2)	8,854,753	-	8,854,753	8,854,753	-	-
Domestic exchanges receivable (*2)(*5)	31,456,123	30,883,281	572,842	-	-	572,842
Total	47,951,934	30,891,723	17,060,211	15,400,985	69,834	1,589,392

	December 31, 2016					
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial liabilities set off	Net amounts of financial liabilities presented	Related amounts not set off in the statement of financial position		
				offsetting agreement	Cash collateral pledged	Net amounts
Financial liabilities:						
Derivative liabilities and others (*1)	3,467,374	8,442	3,458,932			
Payable spot exchange (*3)	4,682,775	-	4,682,775	6,695,062	105,270	1,341,375
Bonds sold under repurchase agreements (*4)	2,004,905	-	2,004,905	2,004,905	-	-
Domestic exchanges payable (*3)(*5)	39,345,524	30,883,281	8,462,243	6,161,151	-	2,301,092
Total	49,500,578	30,891,723	18,608,855	14,861,118	105,270	3,642,467

	December 31, 2015					
	Gross amounts of recognized financial assets	Gross amounts of recognized financial assets set off	Net amounts of financial assets presented	Related amounts not set off in the statement of financial position		
				offsetting agreement	Cash collateral received	Net amounts
Financial assets:						
Derivative assets and others (*1)	2,573,107	8,857	2,564,250	5,615,376	53,162	1,239,821
Receivable spot exchange (*2)	4,344,109	-	4,344,109			
Bonds purchased under resale agreements (*2)	7,583,743	-	7,583,743	7,583,743	-	-
Domestic exchanges receivable (*2)(*5)	29,980,302	29,467,000	513,302	-	-	513,302
Total	44,481,261	29,475,857	15,005,404	13,199,119	53,162	1,753,123

	December 31, 2015					
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial liabilities set off	Net amounts of financial liabilities presented	Related amounts not set off in the statement of financial position		
				offsetting agreement	Cash collateral pledged	Net amounts
Financial liabilities:						
Derivative liabilities and others (*1)	3,144,595	8,857	3,135,738			
Payable spot exchange (*3)	4,342,919	-	4,342,919	6,205,345	173,268	1,100,044
Bonds sold under repurchase agreements (*4)	671,629	-	671,629	671,629	-	-
Domestic exchanges payable (*3)(*5)	31,493,204	29,467,000	2,026,204	2,020,717	-	5,487
Total	39,652,347	29,475,857	10,176,490	8,897,691	173,268	1,105,531

- (\*1) The items include derivatives held for trading, derivatives for hedging and equity linked securities.  
 (\*2) The items are included in loans and receivables.  
 (\*3) The items are included in other financial liabilities.  
 (\*4) The items are included in borrowings.  
 (\*5) Certain financial assets and liabilities are presented as net amounts.

### 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 (%)		Financial statements used as of
		December 31, 2016	December 31, 2015	
Woori Bank and Woori Private Equity Asset Management Co., Ltd.:				
Woori Blackstone Korea Opportunity Private Equity Fund No.1	Finance	26.4	26.4	December 31
Woori Bank:				
Kumho Tire Co., Inc. (*1)(*2)	Manufacturing	14.2	14.2	September 30(*3)
Woori Service Networks Co., Ltd. (*4)	Freight & staffing services	4.9	4.9	November 30(*3)
Korea Credit Bureau Co., Ltd. (*5)	Credit information	9.9	9.9	December 31
Korea Finance Security Co., Ltd. (*4)	Security service	15.0	15.0	November 30(*3)
United PF 1st Corporate Financial Stability (*5)	Finance	-	17.7	-
Chin Hung International Inc. (*2)	Construction	28.4	28.4	November 30(*3)
Poonglim Industrial Co., Ltd. (*6)(*12)(*15)	Construction	31.0	30.7	September 30(*3)
STX Engine Co., Ltd. (*1)(*2)	Manufacturing	29.2	29.2	September 30(*3)
Samho International Co., Ltd. (*1)(*2)	Construction	7.8	7.8	December 31
Force TEC Co., Ltd. (*6)	Freight & staffing services	34.4	34.4	-
Hana Construction Co., Ltd. (*6)(*13)	Construction	-	22.4	-
STX Corporation (*1) (*2) (*6) (*15) (*16)	Wholesale of non-Specialized Goods	9.5	15.0	September 30(*3)
Osung LST Co., Ltd. (*1)(*2)(*14)	Manufacturing	-	11.1	-
Saman Corporation (*5)	General Construction Technology Service	9.2	9.2	September 30(*3)
Dongwoo C&C Co., Ltd. (*6)	Construction	23.2	23.2	-
SJCO Co., Ltd. (*6)	Aggregate transportation and Wholesale	26.5	26.5	-
Ilyang construction Co., Ltd. (*13)	Construction	-	40.0	-
G2 Collection Co., Ltd. (*6)	Wholesale and retail sales	28.9	28.9	-
The Base Enterprise Co., Ltd. (*6)(*10)	Manufacturing	48.4	-	-
Heungjiwon Co., Ltd. (*6)(*10)	Other printing	27.8	-	-
Kyesan Engineering Co., Ltd. (*6)(*10)	Construction	23.2	-	-
Good Software Lap Co., Ltd. (*6)(*10)	Service	28.9	-	-
Wongwang Co., Ltd. (*6)(*10)	Wholesale and real estate	29.0	-	-
Sejin Construction Co., Ltd. (*6)(*9)	Construction	29.6	-	-
Deokwon Food Co., Ltd. (*6)(*10)	Poultry processing and storage	27.3	-	-
QTS Shipping Co., Ltd. (*6)(*9)	Complex transportation brokerage	49.4	-	-
DAEA SNC Co. Ltd. (*6)(*9)	Wholesale and retail sales	24.0	-	-
ARES-TECH Co.,Ltd. (*6)(*9)	Electronic component manufacturing	23.4	-	-
2016KIF-IMM Woori Bank Technology Venture Fund (*11)	Other financial business	20.0	-	December 31
K BANK Co.,Ltd. (*5)(*11)	Finance	13.0	-	November 30(*3)
Woori Growth Partnerships New Technology Private Equity Fund(*11)	Other financial business	23.1	-	December 31
Woori Private Equity Fund:				
Woori Renaissance Holdings (*7)	Other financial business	51.6	51.6	December 31
Woori Private Equity Asset Management Co., Ltd.:				
Woori Columbus First PEF (*8)	Other financial business	2.0	1.9	December 31

- (\*1) The Group has significant influence over these entities through its position in the creditors' council which is the decision making body regarding to financial and operational policies of associates.  
 (\*2) The investments in associates that have quoted market prices are Kumho Tire Co., Ltd. (current year: KRW 8,480, prior year: KRW 6,730), Chin Hung International Inc. (current year: KRW 2,090, prior year: KRW 2,300), STX

- Engine Co., Ltd. (current year: KRW 6,630, prior year: KRW 6,800), Samho International Co., Ltd. (current year: KRW 16,900, prior year: KRW 15,550), STX Corporation. (current year: KRW 1,660, prior year: KRW 3,435), and Osung LST Co., Ltd. (prior year: KRW 795).
- (\*3) The significant transactions and events between the end of reporting period of the associates and the Group have been properly incorporated.
  - (\*4) Most of the significant business transactions of Woori Service Network Co., Ltd. and Korea Finance Security Co., Ltd. are with the Group.
  - (\*5) The Group can participate in decision-making body and exercise significant influence over Korea Credit Bureau Co., Ltd., Saman Corporation and K-Bank Co.,Ltd. through business partnerships. As the Group lost significant influence over the United PF 1st Corporate Financial Stability during the year ended December 31, 2016, the entity was excluded from the investment in associates.
  - (\*6) The carrying value of investments in Poonglim Industrial Co., Ltd., STX Corporation, The Base Enterprise Co., Ltd., Heungjiwon Co., Ltd., Kyesan Engineering Co., Ltd, Good Software Lab Co., Ltd, Wongwang Co., Ltd, Sejin Construction Co., Ltd, Deokwon Food Co., Ltd., QTS Shipping Co., Ltd., DAEA SNC Co., Ltd., and ARES-TECH Co. Ltd. is nil as of December 31, 2016. The carrying value of investments in Hana Construction Co., is nil as of December 31, 2015. The carrying value of investments in Force TEC Co., Ltd., Dongwoo C&C Co., Ltd., SJCO Co., Ltd., G2 collection Co., Ltd. is nil as of December 31, 2016 and 2015, respectively.
  - (\*7) The Group owns over 50% ownership of Woori Renaissance Holdings. However, the investment in this entity was accounted for using equity method as the ownership and related contracts meet the definition of joint arrangement under K-IFRS 1111 *Joint Arrangements*.
  - (\*8) 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 making decision of dividend or other distribution. As such, the investment in this entity was accounted for using equity method as of December 31, 2016 and 2015. Meanwhile, as of December 31, 2016, the principal investments in the associates were returned and the Group has received the initial investment of 1,065 million Won, and is to maintain a 2.0% stake until its liquidation based on the resolution of special meeting of investors.
  - (\*9) Due to debt-equity swap which occurred during the year ended December 31, 2016, the entity is included in the associates.
  - (\*10) Even though the Group's ownership ratio of the entity is more than 20%, the entity does not have significant influence over the entity due to the fact that the entity is going through workout process under receivership, and thus the entity was excluded from the investment in associates. However, as the workout was completed during the year ended December 31, 2016, the entity has been included in the investment in associates.
  - (\*11) Due to capital contribution and others by the Group during the year ended December 31, 2016, the entities has been included in the investment in associates.
  - (\*12) Due to acquisition of treasury stock of Poonglim Industrial Co., Ltd. during the year ended December 31, 2016, the percentage of ownership increased.
  - (\*13) As the Group sold shares during the year ended December 31, 2016, the entity was excluded from the associates.
  - (\*14) This entity was reclassified into assets held for sale and disposed of during the year ended December 31, 2016.
  - (\*15) Equity method was suspended on the investee due to accumulated loss on equity method in excess of investments in associates for the year ended December 31, 2016
  - (\*16) As the Group did not participate in debt-equity swap of STX Corporation which occurred during the year ended December 31, 2016 the ownership of the Group has decreased.

- (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, 2016								
	Acquisition Cost	January 1, 2016	Share of profits (losses)	Acquisition(*1)	Disposal and others(*2)	Dividends	Change in Capital	Impairment	December 31, 2016
Woori Blackstone Korea Opportunity Private Equity Fund No.1	43,917	56,044	10,093	-	(37,036)	(13,812)	-	-	15,289
Kumho Tire Co., Inc.	175,652	214,050	(13,172)	-	-	-	(546)	-	200,332
Woori Service Networks Co., Ltd.	108	139	18	-	-	(12)	-	-	145
Korea Credit Bureau Co., Ltd.	3,313	5,291	436	-	-	(135)	-	-	5,592
Korea Finance Security Co., Ltd.	3,266	3,711	(281)	-	-	(54)	-	-	3,376
United PF 1st Corporate financial stability	172,441	187,592	3,265	-	(190,857)	-	-	-	-
Chin Hung International Inc.	89,725	43,936	(996)	-	-	-	92	-	43,032
Poonglim Industrial Co., Ltd.	13,916	5,313	(2,378)	-	-	-	(2,935)	-	-
STX Engine Co., Ltd.	92,038	51,276	(6,665)	-	-	-	(1,575)	-	43,036
Samho Co., Ltd.	7,492	14,325	5,392	-	-	-	12	-	19,729
STX Corporation	42,215	4,251	(4,222)	-	-	-	(29)	-	-
Osung LST Co., Ltd.	15,405	10,985	(2,903)	-	(6,909)	-	-	(1,173)	-
Saman Corporation	8,521	8,521	252	-	-	-	(74)	-	8,699
K-Growth crowd 2step Fund	800	-	(13)	800	(787)	-	-	-	-
Woori Growth Partnerships New Technology Private Equity Fund	13,602	-	(640)	13,602	-	-	156	-	13,118
2016KIF-IMM Woori Bank Technology Venture Fund	1,800	-	-	1,800	-	-	-	-	1,800
K BANK Co., Ltd.	32,500	-	(1,589)	32,500	-	-	(469)	-	30,442
Woori Renaissance Holdings	63,000	37,121	17,303	-	-	(2)	-	-	54,422
Woori Columbus First PEF	1,200	1,306	(43)	-	(1,065)	(198)	-	-	-
<b>Total</b>	<b>780,911</b>	<b>643,861</b>	<b>3,857</b>	<b>48,702</b>	<b>(236,654)</b>	<b>(14,213)</b>	<b>(5,368)</b>	<b>(1,173)</b>	<b>439,012</b>

(\*1) AFS financial assets decreased by 5,421 million Won due to transfers to investments in associates during the year ended December 31, 2016.

(\*2) The transfers from investments in associates to AFS financial assets amounted to 155,220 million Won and the transfers from investments in associates to assets held for sale amounted to 6,909 million Won.

	For the year ended December 31, 2015									
	Acquisition Cost	January 1, 2015	Share of profits (losses)	Acquisition(*)	Disposal and others	Dividends	Change in Capital	Impairment	Other changes	December 31, 2015
Woori Blackstone Korea Opportunity Private Equity Fund No.1	81,608	100,436	9,266	-	(37,367)	(16,291)	-	-	-	56,044
Kumho Tire Co., Inc.	175,652	224,829	(11,979)	-	-	-	1,201	-	-	214,050
Woori Service Networks Co., Ltd.	108	130	21	-	-	(12)	-	-	-	139
Korea Credit Bureau Co., Ltd.	2,215	3,378	335	1,098	-	-	480	-	-	5,291
Korea Finance Security Co., Ltd.	3,337	4,272	(425)	-	(81)	(55)	-	-	-	3,711
United PF 1st Corporate financial stability	191,617	203,418	3,350	-	(19,176)	-	-	-	-	187,592
Chin Hung International Inc.	60,275	28,491	(14,489)	29,451	-	-	482	-	-	43,936
Poonglim Industrial Co., Ltd.	13,916	-	10,643	-	-	-	(1)	(22,473)	17,144	5,313
STX Engine Co., Ltd.	47,008	2,293	(3,901)	45,030	-	-	1,823	-	6,031	51,276
Samho Co., Ltd.	7,492	11,257	3,012	-	-	-	56	-	-	14,325
STX Corporation	42,215	14,347	(10,673)	-	-	-	559	-	18	4,251
Osung LST Co., Ltd.	15,405	18,482	(4,322)	-	-	-	4	(33,839)	30,660	10,985
Saman Corporation	8,521	-	-	8,521	-	-	-	-	-	8,521
Phoenix Digital Tech Co., Ltd.	1,334	-	1,610	-	(1,610)	-	-	-	-	-
Woori Renaissance Holdings	63,000	36,019	3,518	-	-	(2,416)	-	-	-	37,121
Woori Columbus First PEF	1,200	1,084	222	-	-	-	-	-	-	1,306
<b>Total</b>	<b>714,903</b>	<b>648,436</b>	<b>(13,812)</b>	<b>84,100</b>	<b>(58,234)</b>	<b>(18,774)</b>	<b>4,604</b>	<b>(56,312)</b>	<b>53,853</b>	<b>643,861</b>

(\*) Investments in associates increased by 83,002 million Won due to transfers between accounts, such as loan-equity swap occurred during the year ended December 31, 2015.

- (3) Summary 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, 2016			
	Assets	Liabilities	Operating revenue	Net income (loss)
Woori Blackstone Korea Opportunity Private Equity Fund No.1	57,971	427	75,084	38,226
Kumho Tire Co., Inc.	5,079,740	3,914,306	2,156,667	(53,328)
Woori Service Networks Co., Ltd.	4,722	1,782	14,875	801
Korea Credit Bureau Co., Ltd.	71,245	17,322	59,868	3,517
Korea Finance Security Co., Ltd.	32,262	9,759	52,657	700
Chin Hung International Inc.	421,710	354,995	578,640	794
Poonglim Industrial Co., Ltd.	304,718	323,765	156,770	(15,135)
STX Engine Co., Ltd.	865,265	769,481	372,295	(22,978)
Samho Co., Ltd.	740,786	489,130	909,927	68,077
STX Corporation	781,622	1,087,469	1,252,968	(378,782)
Saman Corporation	83,380	47,175	72,850	2,746
Woori Growth Partnerships New Technology Private Equity Fund	57,339	493	37	(2,177)
2016KIF-IMM Woori Bank Technology Venture Fund	9,005	254	5	(250)
K BANK Co., Ltd.	239,806	5,633	2,927	(12,222)
Woori Renaissance Holdings Inc.	127,411	26,703	37,206	33,508
Woori Columbus First PEF	811	506	3,764	(450)

	December 31, 2015			
	Assets	Liabilities	Operating revenue	Net income (loss)
Woori Blackstone Korea Opportunity Private Equity Fund No.1	212,171	414	49,264	35,099
Kumho Tire Co., Inc.	5,197,002	3,926,952	3,039,519	(27,893)
Woori Service Networks Co., Ltd.	4,577	1,772	14,661	824
Korea Credit Bureau Co., Ltd.	63,960	13,076	53,184	2,005
Korea Finance Security Co., Ltd.	30,195	5,457	50,932	1,890
United PF 1st Corporate Financial Stability	1,088,325	30,390	117,579	18,911
Chin Hung International Inc.	516,305	446,412	624,110	(39,936)
Poonglim Industrial Co., Ltd.	352,683	331,801	206,904	13,185
STX Engine Co., Ltd.	958,468	834,499	417,125	36,615
SamHo Co., Ltd.	709,109	526,379	892,871	39,664
STX Corporation	1,232,014	1,181,593	1,236,168	(44,404)
Osung LST Co., Ltd.	125,859	42,981	38,767	(30,108)
Saman Corporation	80,970	49,334	114,592	(116,019)
Woori Renaissance Holdings Inc.	95,421	28,218	12,013	6,813
Woori Columbus First PEF	68,466	562	12,158	11,570



- (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, 2016 and 2015, are as follows:

	As of December 31, 2016	
	Number of shares owned	Ownership (%)
Orient Shipyard Co., Ltd. (*)	465,050 shares	23.0
Saenuel Co., Ltd. (*)	3,531 shares	37.4
E Mirae Tech Co., Ltd. (*)	7,696 shares	41.0
Jehin Trading Co., Ltd. (*)	81,610 shares	27.3
NK Eng Co., Ltd. (*)	697,033 shares	23.1
The season Co., Ltd. (*)	18,187 shares	30.1
Yuil PESC Co., Ltd. (*)	8,642 shares	24.0
Reading Doctors Co., Ltd. (*)	7,398 shares	35.4
Youngdong Sea Food Co., Ltd. (*)	12,106 shares	24.0
Sinseong Trading Co., Ltd. (*)	2,584 shares	27.2
PREXCO Co., Ltd. (*)	919,972 shares	28.1
Hyunwoo International Co., Ltd. (*)	59,873 shares	25.9

- (\*) Even though the Group's ownership interest of the entity is more than 20% as a limited partner, 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, and thus the entity has been excluded from the investment in associates.

	As of December 31, 2015	
	Number of shares owned	Ownership (%)
Orient Shipyard Co., Ltd. (*)	465,050 shares	23.0
The Base Enterprise Co., Ltd. (*)	68,470 shares	48.4
Saenuel Co., Ltd. (*)	3,531 shares	37.4
Heungjiwon Co., Ltd. (*)	32,849 shares	27.8
E Mirae Tech Co., Ltd. (*)	7,696 shares	41.0
Jehin Trading Co., Ltd. (*)	81,610 shares	27.3
NK Eng Co., Ltd. (*)	697,033 shares	23.1
The season Co., Ltd. (*)	18,187 shares	30.1
Deokwon Food Co., Ltd. (*)	14,300 shares	27.3
Yuil PESC Co., Ltd. (*)	8,642 shares	24.0
Kyesan Engineering Co., Ltd. (*)	60,581 shares	23.2
Good Software Lab Co., Ltd. (*)	17,121 shares	28.9
DOWOO (*)	13,477 shares	41.9
Reading Doctors Co., Ltd. (*)	7,398 shares	35.4
Orient Star Logistics Co., Ltd. (*)	17,293 shares	22.3
Wongwang Co., Ltd. (*)	2,590 shares	29.0

- (\*) Even though the Group's ownership interest of the entity is more than 20% as a limited partner, 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, and thus the entity has been excluded from the investment in associates.

- (5) As of December 31, 2016 and 2015, 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, 2016						
	Total net asset	Ownership (%)	Net assets of associates (or joint ventures)	cost-book value differential	Impairment	Intercompany transaction and others	Book value
Woori Blackstone Korea Opportunity Private Equity Fund No.1	57,544	26.4	15,191	-	-	98	15,289
Kumho Tire Co., Inc. (*)	1,055,219	14.2	149,324	48,459	-	2,549	200,332
Woori Service Networks Co., Ltd.	2,940	4.9	145	-	-	-	145
Korea Credit Bureau	53,923	9.9	5,344	248	-	-	5,592
Korea Finance Security Co., Ltd.	22,503	15.0	3,376	-	-	-	3,376
Chin Hung International Inc. (*)	65,387	28.4	18,593	24,565	-	(126)	43,032
Poonglim Industrial Co., Ltd. (*)	(111,156)	31.0	(34,463)	54,149	(21,062)	1,376	-
STX Engine Co., Ltd.	95,784	29.2	28,002	14,954	-	80	43,036
SamHo Co., Ltd.	251,656	7.8	19,729	-	-	-	19,729
STX Corporation (*)	(250,018)	9.5	(23,633)	24,614	(27,904)	26,923	-
Saman Corporation	36,205	9.2	3,326	5,373	-	-	8,699
Woori Growth Partnerships New Technology Private Equity Fund	56,846	23.1	13,118	-	-	-	13,118
2016KIF-IMM Woori Bank Technology Venture Fund	8,751	20.0	1,750	-	-	50	1,800
K BANK Co., Ltd.	234,173	13.0	30,442	-	-	-	30,442
Woori Renaissance Holdings	100,708	51.6	51,965	-	(6,441)	8,898	54,422
Woori Columbus First PEF	305	2.0	6	-	-	(6)	-

	As of December 31, 2015						
	Total net asset	Ownership (%)	Net assets of associates (or joint ventures)	cost-book value differential	Impairment	Intercompany transaction and others	Book value
Woori Blackstone Korea Opportunity Private Equity Fund No.1	211,757	26.4	55,900	-	-	144	56,044
Kumho Tire Co., Inc. (*)	1,152,161	14.2	163,042	48,459	-	2,549	214,050
Woori Service Networks Co., Ltd.	2,805	4.9	139	-	-	-	139
Korea Credit Bureau	50,884	9.9	5,043	248	-	-	5,291
Korea Finance Security Co., Ltd.	24,738	15.0	3,711	-	-	-	3,711
United PF 1st Corporate financial stability	1,057,935	17.7	187,538	-	-	54	187,592
Chin Hung International Inc. (*)	68,132	28.4	19,374	24,566	-	(4)	43,936
Poonglim Industrial Co., Ltd. (*)	(58,065)	30.7	(17,837)	45,622	(22,472)	-	5,313
STX Engine Co., Ltd. (*)	123,969	29.2	36,230	14,927	-	119	51,276
SamHo Co., Ltd.	182,730	7.8	14,325	-	-	-	14,325
STX Corporation	50,421	15.0	7,552	24,610	(28,370)	459	4,251
Osung LST Co., Ltd.	82,878	11.1	9,238	35,597	(33,839)	(11)	10,985
Saman Corporation	31,636	9.2	2,911	5,610	-	-	8,521
Woori Renaissance Holdings	67,203	51.6	34,677	-	(6,441)	8,885	37,121
Woori Columbus First PEF	67,904	1.9	1,304	6	-	(4)	1,306

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

**14. INVESTMENT PROPERTIES**

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

	December 31, 2016	December 31, 2015
Acquisition cost	387,675	376,192
Accumulated depreciation	(29,178)	(24,696)
Net carrying value	<u>358,497</u>	<u>351,496</u>

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

	For the year ended December 31, 2016	For the year ended December 31, 2015
Beginning balance	351,496	357,550
Acquisition	4,428	-
Depreciation	(3,762)	(3,806)
Transfer	6,314	(2,297)
Foreign currencies translation adjustments	21	49
Ending balance	<u>358,497</u>	<u>351,496</u>

- (3) Fair value of investment properties is amounting to 382,370 million Won and 371,890 million Won as of December 31, 2016 and 2015, 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, 2016 and 2015.
- (4) Rental fee earned from investment properties is amounting to million Won and 5,027 million Won and 5,629 million Won as of December 31, 2016 and 2015, respectively.

## 15. PREMISES AND EQUIPMENT

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

	December 31, 2016						
	Land	Building	Properties for business use	Structures in leased office	Construction in progress	Structures	Total
Acquisition cost	1,488,745	855,332	1,010,141	424,562	18,717	20	3,797,517
Accumulated depreciation	-	(163,633)	(820,239)	(355,604)	-	(16)	(1,339,492)
Net carrying value	1,488,745	691,699	189,902	68,958	18,717	4	2,458,025

	December 31, 2015						
	Land	Building	Properties for business use	Structures in leased office	Construction in progress	Structures	Total
Acquisition cost	1,493,628	843,343	965,820	405,801	522	20	3,709,134
Accumulated depreciation	-	(139,326)	(772,529)	(326,057)	-	(16)	(1,237,928)
Net carrying value	1,493,628	704,017	193,291	79,744	522	4	2,471,206

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

	For the year ended December 31, 2016						
	Land	Building	Properties for business use	Structures in leased office	Construction in progress	Structures	Total
Beginning balance	1,493,628	704,017	193,291	79,744	522	4	2,471,206
Acquisition	-	15,939	74,336	19,615	21,231	-	131,121
Disposal	(30)	(1,474)	(233)	(2,623)	(102)	-	(4,462)
Depreciation	-	(24,887)	(82,445)	(48,587)	-	-	(155,919)
Classified to assets held for sale	(4,063)	(251)	-	-	-	-	(4,314)
Foreign currencies translation adjustment	625	516	307	376	153	-	1,977
Transfer	(1,415)	(1,557)	-	-	(3,087)	-	(6,059)
Acquisition through business combination	-	-	209	442	-	-	651
Others	-	(604)	4,437	19,991	-	-	23,824
Ending balance	1,488,745	691,699	189,902	68,958	18,717	4	2,458,025

	For the year ended December 31, 2015						
	Land	Building	Properties for business use	Structures in leased office	Construction in progress	Structures	Total
Beginning balance	1,514,698	706,524	209,588	70,185	102	5	2,501,102
Acquisition	2,628	21,127	69,230	35,304	757	-	129,046
Disposal	(10,780)	(648)	(847)	(2,000)	(313)	-	(14,588)
Depreciation	-	(24,846)	(85,279)	(36,740)	-	(1)	(146,866)
Classified to assets held for sale	(5,109)	(8,348)	-	-	-	-	(13,457)
Foreign currencies translation adjustment	(328)	(333)	265	515	(19)	-	100
Transfer	(7,481)	9,778	-	-	-	-	2,297
Others	-	763	334	12,480	(5)	-	13,572
Ending balance	1,493,628	704,017	193,291	79,744	522	4	2,471,206

**16. INTANGIBLE ASSETS AND GOODWILL**

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

	December 31, 2016						
	Goodwill	Software	Industrial property rights	Development cost	Others	Membership deposit	Total
Acquisition cost	124,803	185,202	714	299,031	622,540	26,884	1,259,174
Accumulated amortization	-	(149,725)	(401)	(160,335)	(458,088)	-	(768,549)
Accumulated impairment losses	-	-	-	-	(88)	(6,798)	(6,886)
Net carrying value	124,803	35,477	313	138,696	164,364	20,086	483,739

	December 31, 2015						
	Goodwill	Software	Industrial property rights	Development cost	Others	Membership deposit	Total
Acquisition cost	103,525	170,709	651	193,020	605,821	30,024	1,103,750
Accumulated amortization	-	(132,538)	(307)	(141,663)	(400,714)	-	(675,222)
Accumulated impairment losses	-	-	-	-	(3,338)	(5,384)	(8,722)
Net carrying value	103,525	38,171	344	51,357	201,769	24,640	419,806

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

	For the year ended December 31, 2016						
	Goodwill	Software	Industrial property rights	Development cost	Others	Membership deposit	Total
Beginning balance	103,525	38,171	344	51,357	201,769	24,640	419,806
Acquisition	-	8,708	64	92,969	30,842	2,306	134,889
Disposal	-	-	-	-	(23)	(3,785)	(3,808)
Amortization	-	(15,795)	(95)	(18,657)	(57,803)	-	(92,350)
Impairment loss	-	-	-	-	3,230	(1,585)	1,645
Foreign currencies translation adjustment	7,338	16	-	-	853	50	8,257
Acquisition through business combination	7,857	162	-	-	-	43	8,062
Others	6,083	4,215	-	13,027	(14,504)	(1,583)	7,238
Ending balance	124,803	35,477	313	138,696	164,364	20,086	483,739

	For the year ended December 31, 2015						
	Goodwill	Software	Industrial property rights	Development cost	Others	Membership deposit	Total
Beginning balance	107,541	47,821	328	55,337	60,807	23,894	295,728
Acquisition	-	7,347	96	16,751	196,139	2,510	222,843
Disposal	-	(189)	-	(1,500)	(12)	-	(1,701)
Amortization	-	(16,809)	(81)	(19,233)	(53,969)	-	(90,092)
Impairment loss	-	-	-	-	(9)	(1,911)	(1,920)
Foreign currencies translation adjustment	(4,016)	1	1	2	(476)	147	(4,341)
Others	-	-	-	-	(711)	-	(711)
Ending balance	103,525	38,171	344	51,357	201,769	24,640	419,806

**17. ASSETS HELD FOR SALE**

Assets held for sale are as follows (Unit: Korean Won in millions):

	December 31, 2016	December 31, 2015
Premises and equipment	2,342	17,904

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## 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, 2016		
		Collateral given to	Amount	Reason for collateral
Loan and receivables	Due from banks in local currency	Samsung Securities and others	24,589	Margin deposit for futures and options and others
	Due from banks in foreign currencies	Korea Investment & Securities and others	227,249	Foreign margin deposit for future or option and others
Financial assets at FVTPL	Industrial and financial debt securities and others	Yuanta Securities and others	473,476	Substitute securities and others
AFS financial assets	Korean treasury and government agencies bonds	Korea Securities Depository and others	2,546,683	Related to bonds sold under repurchase agreements (*)
	Financial institutions debt securities and others	The BOK and others	836,522	Settlement risk and others
HTM financial assets	Korean treasury and government agencies bonds	Korea Securities Depository and others	7,133	Related to bonds sold under repurchase agreements (*)
	Korean treasury and government agencies bonds and others	The BOK and others	6,185,295	Settlement risk and others
Lands and buildings		Credit Counselling & Recovery Service and others	6,310	Leasehold rights and others
		Total	<u>10,307,257</u>	
		December 31, 2015		
		Collateral given to	Amount	Reason for collateral
Loan and receivables	Due from banks in local currency	Samsung Securities and others	30,438	Margin deposit for futures and options and others
	Due from banks in foreign currencies	Korea Investment & Securities and others	452,860	Foreign margin deposit for future or option and others
Financial assets at FVTPL	Industrial and financial debt securities and others	Yuanta Securities and others	220,897	Substitute securities and others
AFS financial assets	Korean treasury and government agencies bonds	Banco Bilbao Vizcaya Argentaria	603,274	Related to bonds sold under repurchase agreements (*)
	Financial institutions debt securities and others	The BOK and others	3,595,581	Settlement risk and others
HTM financial assets	Korean treasury and government agencies bonds	Nomura Securities and others	139,340	Related to bonds sold under repurchase agreements (*)
	Korean treasury and government agencies bonds and others	The BOK and others	4,657,667	Settlement risk and others
Lands and buildings		Credit Counselling & Recovery Service and others	6,468	Leasehold rights and others
		Total	<u>9,706,525</u>	

(\*) The Group enters into the repurchase agreements at predetermined price or original sale price added with certain rate of return after the disposal of securities. In this regards, the securities are provided as collaterals, and the purchasers are eligible to dispose or provide them as collateral. Therefore, as such securities have been transferred but have not been derecognized, the Group recognizes the relevant amount as liability (bond sold under repurchase agreements).

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

	December 31, 2016	December 31, 2015
Land	4,138	28
Building	1,852	596
Properties for business use	202	-
Total	<u>6,192</u>	<u>624</u>

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

		December 31, 2016	December 31, 2015	Loaned to
Financial assets at FVTPL	Equity securities-listed stock	4,459	10,313	Samsung Securities Co., Ltd. and others
AFS financial assets	Korean treasury and government agencies bonds	493,579	720,010	Korea Securities Depository and others
	Total	<u>498,038</u>	<u>730,323</u>	

Securities loaned 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 recognized through such transactions relates to securities loaned.

(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, 2016 and 2015 are as follows (Unit: Korean Won in millions):

		December 31, 2016	
		Fair values of collaterals	Fair values of collaterals were disposed or re-subjected to lien
Securities		8,746,101	-
		December 31, 2015	
		Fair values of collaterals	Fair values of collaterals were disposed or re-subjected to lien
Securities		7,661,656	-

## 19. OTHER ASSETS

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

		December 31, 2016	December 31, 2015
Prepaid expenses		111,445	124,080
Advance payments		1,944	1,008
Non-operative assets		6,192	624
Others		9,265	17,574
	Total	<u>128,846</u>	<u>143,286</u>

## 20. FINANCIAL LIABILITY AT FVTPL

Financial liability at FVTPL is composed of financial liabilities held for trading and financial liabilities designated at FVTPL.

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Financial liabilities held for trading	3,036,478	2,605,699
Financial liabilities designated at FVTPL	766,880	854,862
Total	<u>3,803,358</u>	<u>3,460,561</u>

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Deposits due to Customers:		
Gold banking liabilities	26,501	24,872
Derivative liabilities	3,009,977	2,580,827
Total	<u>3,036,478</u>	<u>2,605,699</u>

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Equity linked securities index:		
Equity-linked securities in short position	673,906	758,011
Debentures:		
Debentures in local currency	92,974	96,851
Total	<u>766,880</u>	<u>854,862</u>

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Financial liabilities designated at FVTPL subject to credit risk adjustments	766,880	854,862
Credit risk adjustments	(819)	(542)
Accumulated changes in credit risk adjustments	(15,790)	(15,016)

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, 2016</u>	<u>December 31, 2015</u>
Carrying amount	766,880	854,862
Nominal amount at maturity	902,375	1,086,365
Difference	<u>(135,495)</u>	<u>(231,503)</u>

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**21. DEPOSITS DUE TO CUSTOMERS**

Details of deposits due to customers are as follows (Unit: Korean Won in millions):

	December 31, 2016	December 31, 2015
Deposits in local currency		
Demand deposits	9,491,680	9,728,839
Time deposits	183,723,369	175,598,522
Mutual funds	37,128	40,888
Deposits on notes payables	943,446	687,579
Deposits on CMA	203,013	235,089
Certificate of deposits	3,836,430	2,435,087
Other deposits	1,360,176	1,304,348
Sub-total	<u>199,595,242</u>	<u>190,030,352</u>
Deposits in foreign currencies	21,453,096	19,129,214
Present value discount	(27,927)	(17,740)
Total	<u>221,020,411</u>	<u>209,141,826</u>

**22. BORROWINGS AND DEBENTURES**

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

	December 31, 2016		
	Lenders	Interest rate (%)	Amount
Borrowings in local currency:			
Borrowings from The BOK	The Bank of Korea	0.5 ~ 0.8	1,598,553
Borrowings from government funds	Small and Medium Business Corporation and others	0.0 ~ 3.5	1,534,807
Others	Seoul Metropolitan Government and others	0.0 ~ 3.8	<u>3,922,878</u>
Sub-total			<u>7,056,238</u>
Borrowings in foreign currencies:			
Borrowings in foreign currencies	The Export-Import Bank of Korea and others	0.0 ~ 5.2	7,737,237
Offshore borrowings in foreign currencies	Wells Fargo	1.4	<u>18,128</u>
Sub-total			<u>7,755,365</u>
Bills sold	Others	0.0 ~ 1.6	26,895
Call money	Bank and others	0.0 ~ 5.1	1,926,779
Bonds sold under repurchase agreements	Other financial institutions	0.0 ~ 4.5	2,004,905
Present value discount			(667)
Total			<u>18,769,515</u>

	December 31, 2015		
	Lenders	Interest rate (%)	Amount
Borrowings in local currency:			
Borrowings from The Bank of Korea	The Bank of Korea	0.5 ~ 0.8	1,475,991
Borrowings from government funds	Small and Medium Business Corporation and others	0.0 ~ 3.5	1,535,953
Others	The Korea Development Bank and others	0.0 ~ 4.9	4,508,662
Sub-total			<u>7,520,606</u>
Borrowings in foreign currencies:			
Borrowings in foreign currencies	The Export-Import Bank of Korea and others	0.0 ~ 4.6	9,733,694
Offshore borrowings in foreign currencies	Zuercher Kantonalbank and others	0.3 ~ 0.9	32,947
Sub-total			<u>9,766,641</u>
Bills sold	Others	0.0 ~ 2.6	37,501
Call money	Bank and others	0.0 ~ 5.2	2,039,051
Bonds sold under repurchase agreements	Other financial institutions	0.8 ~ 4.5	671,629
Present value discount			(1,511)
Total			<u>20,033,917</u>

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

	December 31, 2016		December 31, 2015	
	Interest rate (%)	Amount	Interest rate (%)	Amount
Face value of bond(*)				
Ordinary bonds	1.5 ~ 11.8	18,268,403	0.2 ~ 12.0	16,868,054
Subordinated bonds	3.0 ~ 12.6	5,327,335	3.4 ~ 13.0	5,055,311
Other bonds	17.0	4,006	17.0	4,006
Sub-total		<u>23,599,744</u>		<u>21,927,371</u>
Discounts on bond		(34,295)		(28,512)
Total		<u>23,565,449</u>		<u>21,898,859</u>

(\*) Included debentures under fair value hedge relationships are 3,610,193 million Won and 3,148,073 million Won as of December 31, 2016 and 2015, respectively.



**23. PROVISIONS**

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

	December 31, 2016	December 31, 2015
Asset retirement obligation	58,076	39,121
Provision for guarantee (*1)	238,117	364,141
Provision for loan commitments	87,909	85,313
Provisions for customer reward credits	22,093	5,445
Other provisions (*2)	22,282	22,581
Total	<u>428,477</u>	<u>516,601</u>

(\*1) Provision for guarantee includes provision for financial guarantee of 67,557 million Won and 77,322 million Won as of December 31, 2016 and 2015, 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, 2016				
	Provision for guarantees	Provision for loan commitments	Provisions for customer reward credits	Other provisions	Total
Beginning balance	364,141	85,313	5,445	22,581	477,480
Provisions provided	4,281	8,502	23,525	8,034	44,342
Provisions used and others	(80,017)	22	(8,158)	(11,323)	(99,476)
Reversal of unused amount	(64,061)	(5,409)	-	-	(69,470)
Foreign currencies translation adjustments	-	-	-	2,990	2,990
Transfer(*)	-	-	503	-	503
Others	13,773	(519)	778	-	14,032
Ending balance	<u>238,117</u>	<u>87,909</u>	<u>22,093</u>	<u>22,282</u>	<u>370,401</u>

(\*) As the credits of the affiliates were transferred to the group, the relevant allowance for the provisions for customer reward credits increased, for the year ended December 31, 2016.

	For the year ended December 31, 2015				
	Provision for guarantees	Provision for loan commitments	Provisions for customer reward credits	Other provisions	Total
Beginning balance	509,320	90,449	5,548	56,959	662,276
Provisions provided	19,714	9,801	16,301	51,997	97,813
Provisions used and others	(25,262)	41	(16,404)	(86,308)	(127,933)
Reversal of unused amount	(160,032)	(14,976)	-	(43)	(175,051)
Others	20,401	(2)	-	(24)	20,375
Ending balance	<u>364,141</u>	<u>85,313</u>	<u>5,445</u>	<u>22,581</u>	<u>477,480</u>

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

	For the year ended December 31, 2016	For the year ended December 31, 2015
Beginning balance	39,121	29,733
Provisions provided	2,034	1,742
Provisions used	(1,279)	(1,316)
Depreciation	464	394
Reversal of unused amount	(1)	(179)
Increase in restoration costs and others	17,737	8,747
Ending balance	<u>58,076</u>	<u>39,121</u>

## 24. NET DEFINED BENEFIT LIABILITY

The characteristics of the Group's defined benefit retirement pension plans characteristics are as follows:

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 most significant risks are as follows:

Volatility of asset	The defined benefit obligation was estimated with an interest rate calculated based on the yield of high quality corporate bonds. A deficit may occur if the rate of return of plan assets falls short of the interest rate.
Decrease in profitability of high quality corporate bonds	A decrease in profitability of high quality corporate bonds will be offset by some increase in the value of debt securities that the employee benefit plan owns but will bring an increase in the defined benefit liabilities.
Risk of inflation	Defined benefit obligations are related to inflation rate; the higher the inflation rate is, the higher the level of liabilities. Therefore, deficit occurs in the system if an inflation rate increases.

(1) Details of net defined benefit liability(asset) are as follows (Unit: Korean Won in millions):

	December 31, 2016	December 31, 2015
Defined benefit obligation	984,381	901,219
Fair value of plan assets	(990,653)	(801,528)
Net defined benefit liability(asset)	<u>(6,272)</u>	<u>99,691</u>

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

	For the year ended December 31, 2016	For the year ended December 31, 2015
Beginning balance	901,219	683,961
Current service cost	153,660	132,710
Interest cost	24,326	21,377
Remeasurements	(52,402)	97,730
Foreign currencies translation adjustments	80	(8)
Retirement benefit paid	(34,346)	(26,516)
Curtailement or settlement	(9,536)	(8,231)
Others	1,380	196
Ending balance	<u>984,381</u>	<u>901,219</u>

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

	For the year ended December 31, 2016	For the year ended December 31, 2015
Beginning balance	801,528	608,370
Interest income	25,038	21,965
Remeasurements	(7,304)	(5,444)
Employer's contributions	226,752	229,069
Retirement benefit paid	(33,341)	(22,860)
Curtailement or settlement	(9,198)	(8,240)
Others	(12,822)	(21,332)
Ending balance	<u>990,653</u>	<u>801,528</u>

- (4) Plan assets wholly consist of time deposits as of December 31, 2016 and 2015, respectively. Among plan assets, realized returns on plan assets amount to 17,734 million Won and 16,521 million Won for the year ended December 31, 2016 and 2015, 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, 2016	For the year ended December 31, 2015
Current service cost	153,660	132,710
Net interest expense	(712)	(588)
Gain and Loss on the curtailment or settlement	(339)	9
Cost recognized in net income	152,609	132,131
Remeasurements	(45,098)	103,174
Cost recognized in total comprehensive income	<u>107,511</u>	<u>235,305</u>

Retirement benefit service costs related to defined contribution plans are recognized 3,747 million Won and 3,623 million Won for the years ended December 31, 2016 and 2015, respectively.

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

	December 31, 2016	December 31, 2015
Discount rate	2.85%	2.83%
Future wage growth rate	6.05%	6.35%
Mortality rate	Issued by Korea Insurance Development Institute	Issued by Korea Insurance Development Institute
Retirement rate	Experience rate for each employment classification	Experience rate for each employment classification

- (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, 2016	December 31, 2015
Discount rate	Increase by 1% point	(107,203)	(101,026)
	Decrease by 1% point	125,395	118,879
Future wage growth rate	Increase by 1% point	124,766	117,975
	Decrease by 1% point	(108,344)	(101,900)

## 25. OTHER FINANCIAL LIABILITIES AND OTHER LIABILITIES

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

	December 31, 2016	December 31, 2015
Other financial liabilities:		
Accounts payable	5,626,661	5,586,031
Accrued expenses	2,055,936	1,901,204
Borrowings from trust accounts	3,329,683	4,476,396
Agency business revenue	331,159	415,776
Foreign exchange payables	702,968	708,267
Domestic exchange payables	8,480,765	2,082,472
Other miscellaneous financial liabilities	1,458,747	1,795,256
Present value discount	(833)	(1,196)
Sub-total	<u>21,985,086</u>	<u>16,964,206</u>
Other liabilities:		
Unearned income	171,050	171,649
Other miscellaneous liabilities	128,326	133,525
Sub-total	<u>299,376</u>	<u>305,174</u>
Total	<u>22,284,462</u>	<u>17,269,380</u>

## 26. DERIVATIVES

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

	December 31, 2016				
	Notional Amount	Assets		Liabilities	
		Fair value Hedge	For trading	Fair value hedge	For trading
Interest rate:					
Interest rate futures	54,785	-	-	-	-
Interest rate swaps	118,582,511	139,832	470,057	7,013	509,686
Long interest rate option	860,000	-	21,172	-	-
Short interest rate option	1,035,000	-	-	-	21,863
Currency:					
Currency futures	493,733	-	-	-	-
Currency forward	62,539,094	-	1,265,852	-	1,015,380
Currency swaps	39,782,049	-	1,022,969	-	1,221,959
Long currency option	1,120,949	-	42,126	-	-
Short currency option	907,211	-	-	-	8,589
Stock:					
Stock futures	926,392	-	-	-	-
Stock swaps	15,000	-	92	-	88
Long stock option	3,007,969	745	73,261	-	-
Short stock option	4,460,233	-	-	208	228,900
Others:					
Other futures	5,105	-	-	-	-
Other swaps	7,918	-	2,645	-	2,331
Long other option	8,307	-	121	-	-
Short other option	64,352	-	-	-	1,181
Total	<u>233,870,608</u>	<u>140,577</u>	<u>2,898,295</u>	<u>7,221</u>	<u>3,009,977</u>

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	December 31, 2015			
	Notional Amount	Assets		Liabilities
		Fair value hedge	For trading	For trading
Interest rate:				
Interest rate swaps	111,633,234	180,378	923,712	959,347
Long interest rate option	881,679	-	13,961	-
Short interest rate option	1,086,679	-	-	15,164
Currency:				
Currency futures	423,877	-	-	-
Currency forward	56,298,910	-	759,838	475,646
Currency swaps	27,070,835	-	617,777	949,921
Long currency option	1,657,911	-	63,498	-
Short currency option	1,366,459	-	-	13,530
Stock:				
Stock futures	169,785	-	-	-
Stock swaps	10,000	-	-	6
Long stock option	682,358	2,750	444	-
Short stock option	2,410,815	-	-	155,386
Others:				
Other futures	1,100	-	-	-
Other forwards	125	-	-	39
Other swaps	78,882	-	5,363	4,781
Long other option	41,097	-	5,904	-
Short other option	142,259	-	-	7,007
Total	<u>203,956,005</u>	<u>183,128</u>	<u>2,390,497</u>	<u>2,580,827</u>

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

(2) 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, 2016	For the year ended December 31, 2015
Losses from hedged items	98,827	(31,297)
Gains from hedging instruments	(98,851)	38,021

## 27. DEFERRED 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, 2016	For the year ended December 31, 2015
Beginning balance	28,008	13,499
Acquisitions	1,337	26,762
Amounts recognized in profits or losses	(15,923)	(12,253)
Ending balance	<u>13,422</u>	<u>28,008</u>

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:

	December 31, 2016	December 31, 2015
Authorized shares of common stock	5,000,000,000 Shares	5,000,000,000 Shares
Par value	5,000 Won	5,000 Won
Issued shares of common stock	676,000,000 Shares	676,000,000 Shares
Capital stock	3,381,392 million Won	3,381,392 million Won

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

	December 31, 2016	December 31, 2015
Beginning balance	676,000,000	676,278,371
Retirement of treasury stock	-	(278,371)
Ending balance	676,000,000	676,000,000

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

	December 31, 2016	December 31, 2015
Capital in excess of par value	269,533	269,533
Other capital surplus	16,798	24,726
Total	<u>286,331</u>	<u>294,259</u>

## 29. HYBRID SECURITIES

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

	Issue date	Maturity	Interest rate (%)	December 31, 2016	December 31, 2015
Securities in local currency	June 20, 2008	June 20, 2038	7.7	255,000	255,000
	November 22, 2011	November 22, 2041	5.9	-	310,000
	March 8, 2012	March 8, 2042	5.8	190,000	190,000
	April 25, 2013	April 25, 2043	4.4	500,000	500,000
	November 13, 2013	November 13, 2043	5.7	200,000	200,000
	December 12, 2014	December 12, 2044	5.2	160,000	160,000
	June 3, 2015	June 3, 2045	4.4	240,000	240,000
Securities in foreign currencies	May 2, 2007	May 2, 2037	6.2	930,900	930,900
	June 10, 2015	June 10, 2045	5.0	559,650	559,650
	September 27, 2016	September 27, 2046	4.5	553,450	-
Issuance cost				(14,104)	(11,548)
Total				<u>3,574,896</u>	<u>3,334,002</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):

	December 31, 2016	December 31, 2015
Accumulated other comprehensive income:		
Gain on valuation of AFS financial assets	386,981	374,685
Share of other comprehensive income of joint ventures and associates	(1,863)	6,074
Loss on foreign currencies translation of foreign operations	(48,353)	(70,789)
Remeasurement of the net defined benefit liability	(163,397)	(197,579)
Cash flow hedges	-	(10,371)
Sub-total	<u>173,368</u>	<u>102,020</u>
Treasury shares	(34,113)	(34,113)
Other capital adjustments	<u>(1,607,280)</u>	<u>(1,615,210)</u>
Total	<u><u>(1,468,025)</u></u>	<u><u>(1,547,303)</u></u>

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

	For the year ended December 31, 2016				
	Beginning balance	Increase (decrease) on valuation	Reclassification (*)	Income tax effect	Ending balance
Gain (loss) on valuation of available-for-sale financial assets	374,685	114,617	(101,647)	(674)	386,981
Share of other comprehensive income (loss) of joint ventures and associates	6,074	(9,274)	-	1,337	(1,863)
Gain (loss) on foreign currency translation of foreign operations	(70,789)	30,368	-	(7,932)	(48,353)
Remeasurement of the net defined benefit liability	(197,579)	45,096	-	(10,914)	(163,397)
Cash flow hedges	(10,371)	10,371	-	-	-
Total	<u>102,020</u>	<u>191,178</u>	<u>(101,647)</u>	<u>(18,183)</u>	<u>173,368</u>
	For the year ended December 31, 2015				
	Beginning balance	Increase (decrease) on valuation(*)	Reclassification (*)	Income tax effect	Ending balance
Gain (loss) on valuation of available-for-sale financial assets	300,994	190,842	(101,439)	(15,712)	374,685
Share of other comprehensive income (loss) of joint ventures and associates	2,779	4,409	-	(1,114)	6,074
Gain (loss) on foreign currency translation of foreign operations	(107,721)	49,421	-	(12,489)	(70,789)
Remeasurement of the net defined benefit liability	(119,375)	(102,467)	-	24,263	(197,579)
Cash flow hedges	(10,371)	-	-	-	(10,371)
Total	<u>66,306</u>	<u>142,205</u>	<u>(101,439)</u>	<u>(5,052)</u>	<u>102,020</u>

(\*) For the change in gain (loss) on valuation of AFS financial assets, "reclassification" is disposal or recognition of impairment losses on AFS financial assets.

### 31. RETAINED EARNINGS

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

		<u>December 31, 2016</u>	<u>December 31, 2015</u>
Legal reserve	Legal reserve	1,622,754	1,528,754
	Other legal reserve	44,634	43,132
	Sub-total	<u>1,667,388</u>	<u>1,571,886</u>
Voluntary reserve	Business rationalization reserve	8,000	8,000
	Reserve for financial structure improvement	235,400	235,400
	Additional reserve	7,073,104	7,249,104
	Regulatory reserve for credit loss	2,255,252	1,756,142
	Revaluation reserve	753,908	760,366
	Other voluntary reserve	11,700	11,700
	Sub-total	<u>10,337,364</u>	<u>10,020,712</u>
Retained earnings before appropriation		<u>2,606,814</u>	<u>2,133,524</u>
Total		<u>14,611,566</u>	<u>13,726,122</u>

i. Legal reserve

In accordance with the Banking Act, 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 Restriction of Special Taxation Act, the Group 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

From 2002 to 2014, 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 tangible common equity ratio equals 5.5 percent. But this reserve is not available for payment of cash dividends; however, it can be used to reduce a deficit or be transferred to capital. The reserve and appropriation is an Autonomous judgment matter of the Group since 2015.

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 Group discloses such shortfall 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	
	2016	2015
Beginning balance	13,726,122	14,165,358
Net income attributable to owners	1,261,266	1,059,157
Dividends on common stock	(168,317)	(504,952)
Dividends on hybrid securities	(206,515)	(183,320)
Appreciation of merger losses	-	(806,640)
Repayment of hybrid securities	(990)	-
Retirement of treasury stock	-	(3,481)
Ending balance	14,611,566	13,726,122

### 32. REGULATORY RESERVE FOR CREDIT LOSS

In accordance with Paragraph 1 and 2 of Article 29 of the Regulation on the 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 Group 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	
	2016	2015
Beginning balance	2,255,252	1,756,142
Planned provision of regulatory reserve for credit loss	182,939	499,110
Ending balance	2,438,191	2,255,252

- (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	
	2016	2015
Net income	1,277,533	1,075,392
Provision (reversal) of regulatory reserve for credit loss	182,939	499,110
Adjusted net income after the provision of regulatory reserve	1,094,594	576,282
Adjusted EPS after the provision of regulatory reserve (Unit: Korean Won)	1,320	584

### 33. DIVIDENDS

The Group’s dividends for the year ended December 31, 2016 and 2015 are 400 Won and 250 Won per share, respectively, and the total dividend amount to 269,308 million Won and 168,317 million Won, respectively. The Group paid out 168,317 million Won (250 Won per share) as an interim dividend during the year ended December 31, 2015.

### 34. NET INTEREST INCOME

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

	For the years ended December 31	
	2016	2015
Financial assets at FVTPL	63,408	63,143
AFS financial assets	339,518	389,443
HTM financial assets	360,054	418,065
Loans and receivables:		
Interest on due from banks	75,021	81,117
Interest on loans	7,635,791	7,700,475
Interest of other receivables	38,520	45,992
Sub-total	7,749,332	7,827,584
Total	8,512,312	8,698,235

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

	For the years ended December 31	
	2016	2015
Interest on deposits due to customers	2,547,142	2,888,529
Interest on borrowings	215,240	216,743
Interest on debentures	619,255	707,772
Other interest expense	111,131	123,291
Total	3,492,768	3,936,335



**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	
	2016	2015
Fees and commissions received (*)	660,556	676,114
Fees and commissions received for provision of guarantee	66,549	78,922
Fees and commissions received on project financing	20,213	15,521
Fees and commissions received on credit card	954,502	852,250
Fees and commissions received on securities	70,928	67,692
Other fees and commissions received	92,722	66,841
Total	<u>1,865,470</u>	<u>1,757,340</u>

(\*) Fees and commissions received include agency commissions, fee income from electronic finance, fee 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	
	2016	2015
Fees paid	162,170	133,909
Credit card commissions	760,913	643,524
Brokerage commissions	739	615
Others	4,517	2,496
Total	<u>928,339</u>	<u>780,544</u>

**36. DIVIDEND INCOME**

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

	For the years ended December 31	
	2016	2015
Dividend from financial assets at FVTPL	996	1,217
Dividend from AFS financial assets	183,514	101,706
Total	<u>184,510</u>	<u>102,923</u>

### 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	
	2016	2015
Gains on financial assets held for trading	185,786	171,137
Gains (losses) of financial assets designated at FVTPL	(71,399)	69,205
Total	114,387	240,342

- (2) Gains (losses) on financial assets held for trading are as follows (Unit: Korean Won in millions):

			For the years ended December 31	
			2016	2015
Financial Assets at FVTPL	Securities	Gain on valuation	9,323	7,735
		Gain on disposals	24,509	32,780
		Loss on valuation	(12,681)	(13,663)
		Loss on disposals	(11,524)	(22,771)
		Sub-total	9,627	4,081
	Other financial assets	Gain on valuation	13,628	10,195
		Gain on disposals	2,404	442
		Loss on valuation	(14,033)	(10,189)
		Loss on disposals	(1,644)	(208)
		Sub-total	355	240
Total of financial assets at FVTPL		9,982	4,321	
Derivatives (for trading)	Interest rates derivatives	Gain on transactions and valuation	1,423,606	1,240,353
		Loss on transactions and valuation	(1,401,582)	(1,251,673)
		Sub-total	22,024	(11,320)
	Currencies derivatives	Gain on transactions and valuation	5,804,420	4,241,317
		Loss on transactions and valuation	(5,683,357)	(3,987,856)
		Sub-total	121,063	253,461
	Equity derivatives	Gain on transactions and valuation	293,657	92,400
		Loss on transactions and valuation	(259,280)	(166,528)
		Sub-total	34,377	(74,128)
	Other derivatives	Gain on transactions and valuation	50,139	54,322
		Loss on transactions and valuation	(51,799)	(55,519)
		Sub-total	(1,660)	(1,197)
	Total of derivatives(for trading)		175,804	166,816
	Total		185,786	171,137

- (3) Details of gains or losses on financial assets designated at FVTPL are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2016	2015
Gain (loss) on equity-linked securities		
Gain (loss) on disposals of equity-linked securities	(24,165)	(22,363)
Gain on valuation of equity-linked securities	(52,007)	89,863
Sub-total	(76,172)	67,500
Gain (loss) on other securities:		
Loss on disposals of other securities	14	(62)
Gain on valuation of other securities	882	1,027
Sub-total	896	965
Gain(loss) on other financial instruments:		
Gain on valuation of other financial instruments	3,877	740
Total	(71,399)	69,205

### 38. GAINS (LOSSES) ON AFS FINANCIAL ASSETS

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

	For the years ended December 31	
	2016	2015
Gains on redemption of securities	721	1,089
Gains on transaction of securities	47,985	130,457
Impairment losses on securities	(49,741)	(134,827)
Total	(1,035)	(3,281)

### 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	
	2016	2015
Impairment losses due to credit loss	(890,763)	(1,112,139)
Reversal of provision on guarantee	59,780	140,318
Provision for (reversal of provision on) loan commitment	(3,093)	5,175
Total	(834,076)	(966,646)

#### 40. OTHER NET OPERATING INCOMES (EXPENSES)

(1) Administrative expenses recognized are as follows (Unit: Korean Won in millions):

		For the years ended December 31	
		2016	2015
Employee benefits	Short term	1,323,007	1,262,786
	Salaries		
	employee benefits	466,585	381,283
	Employee benefits		
	Retirement benefit service costs	156,356	135,754
	Termination	179,286	73,119
	Sub-total	2,125,234	1,852,942
Depreciation and amortization		248,269	236,958
Other general and administrative expenses	Rent	311,992	295,871
	Taxes and dues	102,531	103,580
	Service charges	244,543	233,860
	Computer and IT related	83,978	100,026
	Telephone and communication	63,699	60,880
	Operating promotion	48,115	46,638
	Advertising	76,153	58,914
	Printing	9,502	10,249
	Traveling	11,681	9,601
	Supplies	6,827	6,822
	Insurance premium	8,092	7,236
	Reimbursement	26,846	23,779
	Maintenance	16,470	14,565
	Water, light and heating	15,006	15,205
	Vehicle maintenance	9,987	10,400
		Others	69,551
	Sub-total	1,104,973	1,060,487
	Total	3,478,476	3,150,387

(2) Other operating incomes recognized are as follows (Unit: Korean Won in millions):

		For the years ended December 31	
		2016	2015
Gains on transaction of foreign exchange		4,791,772	3,352,318
Gains on disposal of loans and receivables		204,239	186,939
Gains on transactions of derivatives		130	59,003
Gains on fair value hedged items		99,302	25,235
Others (*)		112,079	158,806
	Total	5,207,522	3,782,301

(\*) Other income includes such incomes amounting to 74,700 million Won and 137,187 million Won for the year ended December, 2016 and 2015, respectively, that the Group recognized for it is to receive from other creditor financial institutions in accordance with the creditor financial institutions committee agreement.

(3) Other operating expenses recognized are as follows (Unit: Korean Won in millions):

		For the years ended December 31	
		2016	2015
Losses on transaction of foreign exchange		4,706,055	3,429,638
KDIC deposit insurance fees		298,804	266,031
Contribution to miscellaneous funds		295,601	343,703
Losses on disposal of loans and receivables		4,265	43,266
Losses related to derivatives		98,981	20,982
Losses on fair value hedged items		475	56,532
Others (*)		171,120	232,210
	Total	5,575,301	4,392,362

(\*) Other expense includes such expenses amounting to 109,063 million Won and 154,897 million Won for the year ended December 31, 2016 and 2015, respectively, that the Group recognized for it is to carry out a payment to other creditor financial institutions in accordance with the creditor financial institutions committee agreement.

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**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	
	2016	2015
Gain on valuation	36,757	41,363
Loss on valuation	(55,091)	(55,176)
Impairment loss	(1,173)	(56,311)
Total	<u>(19,507)</u>	<u>(70,124)</u>

- (2) Other non-operating incomes and expenses recognized are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2016	2015
Other non-operating incomes	132,272	272,610
Other non-operating expenses	(133,582)	(102,126)
Total	<u>(1,310)</u>	<u>170,484</u>

- (3) Other non-operating incomes recognized are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2016	2015
Rental fee income	7,291	8,225
Gains on disposal of investment in joint ventures and associates	23,457	61,653
Gains on disposal of premises and equipment and other assets	1,885	6,814
Reversal of impairment loss on premises and equipment and other assets	3,581	539
Others(*)	96,058	195,379
Total	<u>132,272</u>	<u>272,610</u>

(\*) Other income includes such incomes amounting to 132,784 million Won for the year ended December 31, 2016 that the Group received in accordance with the final irrevocable verdict for the payment of commitment (Note 44).

- (4) Other non-operating expenses recognized are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2016	2015
Depreciation on investment properties	3,762	3,806
Interest expenses of rent leasehold deposits	496	688
Losses on disposal of investment in joint ventures and associates	15,060	10
Losses on disposal of premises and equipment and other assets	9,718	2,707
Impairment losses on premises and equipment and other assets	1,936	2,990
Donation	43,939	46,266
Others	58,671	45,659
Total	<u>133,582</u>	<u>102,126</u>

#### 42. INCOME TAX EXPENSE

(1) Income tax expenses are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2016	2015
Current tax expense		
Current tax expense in respect of the current year	332,996	362,552
Adjustments recognized in the current period in relation to the current tax of prior periods	(22,138)	(27,038)
Sub-total	310,858	335,514
Deferred tax expense		
Deferred tax expense (benefit) relating to the origination and reversal of temporary differences	(18,766)	44,884
Deferred tax charged directly to equity	(16,236)	(3,844)
Sub-total	(35,002)	41,040
Income tax expense	275,856	376,554

(2) Income tax expense can be reconciled to net income before income tax expense as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2016	2015
Net income before income tax expense	1,553,389	1,451,946
Tax calculated at statutory tax rate (*)	375,458	350,909
Adjustments		
Effect of income that is exempt from taxation	(75,166)	(56,247)
Effect of expense not deductible in determining taxable profit	13,664	50,152
Adjustments recognized in the current period in relation to the current tax of prior periods	(22,138)	(27,038)
Others	(15,962)	58,778
Sub-total	(99,602)	25,645
Income tax expense	275,856	376,554
Effective tax rate		
Effective tax rate for continuing operations	17.8%	25.9%

(\*) The 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.



(3) Deferred tax charged direct to equity is as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2016			
	Beginning balance	Recognized as income (loss)	Recognized as other comprehensive income (loss)	Ending balance
Gain on financial assets at FVTPL	445,729	(18,524)	-	427,205
Gain (loss) on AFS financial assets	(121,536)	57	(666)	(122,145)
Gain (loss) on valuation using the equity method of accounting	5,106	26,500	1,337	32,943
Gain (loss) on valuation of derivatives	(39,774)	(4,079)	-	(43,853)
Accrued income	(82,148)	12,188	-	(69,960)
Provision for loan losses	(50,504)	3,693	-	(46,811)
Loan and receivables written off	54,225	(310)	-	53,915
Loan origination costs and fees	(103,912)	(4,190)	-	(108,102)
Defined benefit liability	203,423	32,536	(10,914)	225,045
Deposits with employee retirement insurance trust	(187,044)	(39,277)	-	(226,321)
Provision for guarantee	69,225	(28,087)	-	41,138
Other provision	27,898	4,494	-	32,392
Others	(29,470)	50,001	(5,993)	14,538
Net deferred tax assets	191,218	35,002	(16,236)	209,984

	For the year ended December 31, 2015			
	Beginning balance	Recognized as income (loss)	Recognized as other comprehensive income (loss)	Ending balance
Gain on financial assets at FVTPL	422,910	22,819	-	445,729
Loss on AFS financial assets	(105,556)	94	(16,074)	(121,536)
Gain (loss) on valuation using the equity method of accounting	21,156	(14,936)	(1,114)	5,106
Loss on valuation of derivatives	(48,438)	8,664	-	(39,774)
Accrued income	(75,094)	(7,054)	-	(82,148)
Provision for loan losses	(59,428)	8,924	-	(50,504)
Loan and receivables written off	6,921	47,304	-	54,225
Loan origination costs and fees	(88,476)	(15,436)	-	(103,912)
Defined benefit liability	151,666	26,912	24,845	203,423
Deposits with employee retirement insurance trust	(135,474)	(51,570)	-	(187,044)
Provision for guarantee	84,530	(15,305)	-	69,225
Other provision	37,029	(9,131)	-	27,898
Others	24,355	(42,324)	(11,501)	(29,470)
Net deferred tax assets	236,101	(41,039)	(3,844)	191,218

(4) Unrealizable temporary differences are as follows (Unit: Korean Won in millions):

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Deductible temporary differences	224,452	224,452
Unused tax losses	192,138	233,687
Taxable temporary differences	<u>(868,541)</u>	<u>(740,860)</u>
Total	<u>(451,951)</u>	<u>(282,721)</u>

(5) Deferred tax charged direct to equity is as follows (Unit: Korean Won in millions):

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Loss on available-for-sale financial assets	(113,161)	(112,495)
Share of other comprehensive income (loss) of jointly controlled entities and associates	950	(387)
Gain on foreign operations translation	16,930	22,923
Remeasurements	<u>51,661</u>	<u>62,575</u>
Total	<u>(43,620)</u>	<u>(27,384)</u>

(6) Current tax assets and liabilities are as follows (Unit: Korean Won in millions):

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current tax assets	6,229	6,782
Current tax liabilities	171,192	108,943

(7) Deferred tax assets and liabilities are as follows (Unit: Korean Won in millions):

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Deferred tax assets	232,007	210,597
Deferred tax liabilities	<u>22,023</u>	<u>19,379</u>
Net deferred tax assets	<u>209,984</u>	<u>191,218</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>2016</u>	<u>2015</u>
Net income attributable to common shareholders	1,261,266	1,059,157
Dividends to hybrid securities	(206,515)	(183,320)
Net income attributable to common shareholders	1,054,751	875,837
Weighted average number of common shares outstanding	673 million shares	673 million shares
Basic Earnings Per Share	1,567	1,301

Diluted EPS is equal to basic EPS because there is no dilution effect for the year ended December 31, 2016 and 2015.

**44. CONTINGENT LIABILITIES AND COMMITMENTS**

(1) Details of guarantees are as follow (Unit: Korean Won in millions):

	December 31, 2016	December 31, 2015
Confirmed guarantees		
Guarantee for loans	79,566	108,176
Acceptances	504,354	618,365
Letters of guarantees	97,606	100,084
Other confirmed guarantees	7,588,661	8,242,622
Total	<u>8,270,187</u>	<u>9,069,247</u>
Unconfirmed guarantees		
Local letter of credit	397,588	422,812
Letter of credit	3,844,345	4,258,672
Other unconfirmed guarantees	859,768	1,949,571
Total	<u>5,101,701</u>	<u>6,631,055</u>
CP purchase commitments and others	1,389,896	1,615,141

(2) Details of loan commitments and others are as follow (Unit: Korean Won in millions):

	December 31, 2016	December 31, 2015
Loan commitments	83,795,496	88,211,580
Other commitments	4,840,593	5,371,320

(3) Litigation case

1) The Group had filed and faced lawsuits as follows (Unit: Korean Won in millions except for number of cases):

	December 31, 2016		December 31, 2015	
	As plaintiff	As defendant	As plaintiff	As defendant
Number of cases	88 cases	175 cases	130 cases	269 cases
Amount of litigation	308,848	246,465	350,899	190,219
Allowance for litigations		5,946		4,872

2) 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 Group recognized 132,784 million Won, as gain for the year ended December 31, 2015, in accordance with K-IFRS 1037 *Provisions, Contingent liabilities and Contingent assets*.

(4) Other

The Group operates Korean Won currency settlement service as for commercial trade settlements between Korea and Iran. In accordance with the submission request of information from U.S. prosecutors (U.S. Federal Prosecutors and Prosecutors of the New York State), the Group is currently performing its own internal investigation to confirm if the Group is meeting the requirements on sanction of U.S. Government in respect of its service operation. As at the end of December 31, 2016, the Group believes that it cannot make reasonable estimation due to possible results from such investigation.

#### 45. RELATED PARTY TRANSACTIONS

Related parties of the Group and assets and liabilities recognized and major transactions with related parties during the current and prior periods are as follows:

(1) Related parties

	Related parties
Corporation that have significant influence over the group (*)	KDIC
Joint ventures	Woori Renaissance Holdings
Associates	Kumho Tires Co., Inc., Woori Blackstone Korea Opportunity Private Equity Fund No.1, Korea Woori Service Networks Co., Ltd., Korea Credit Bureau Co., Ltd., Korea Finance Security Co., Ltd., Chin Hung International Inc., Poonglim Industrial Co., Ltd., STX Engine Co., Ltd., Samho International Co., Ltd., Force TEC Co., Ltd., STX Corporation, Woori Columbus 1st Private Equity Fund, 2016KIF-IMM Woori Bank Technology Venture Fund, K BANK Co.,Ltd., and Others (Dongwoo C & C Co., Ltd. and other 14 associates)

(\*) During the year ended December 31, 2016, KDIC sold portion of its ownership interests in the Group, and became the investor with significant influence over the Group.

(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, 2016	December 31, 2015
Corporation that have significant influence over the group	KDIC	Loans	9	30
		Other assets	270,041	510,193
		Deposits due to customers	1,894,631	930,231
		Other liabilities	15,568	9,812
Joint ventures	Woori Renaissance Holdings	Other assets	-	2,416
Associates	Kumho Tires Co., Ltd.	Loans	299,523	280,333
		Allowance for credit loss	(715)	(553)
		Deposits due to customers	45,957	67,815
		Other liabilities	50	116
	Woori Blackstone Korea Opportunity Private Equity Fund No.1	Other assets	34	175
		Other liabilities	306	934
	Woori Service Networks Co., Ltd.	Loans	29	27
		Deposits due to customers	2,572	3,821
		Other liabilities	393	381
	Korea Credit Bureau Co., Ltd.	Loans	2	7
		Deposits due to customers	5,069	9,038
		Other liabilities	40	54
	Korea Finance Security Co., Ltd.	Loans	55	51
		Deposits due to customers	2,801	1,468
Other liabilities		6	7	
United PF 1st Corporate Financial Stability (*1)	Deposits due to customers	-	20	
Chin Hung International Inc.	Loans	4,320	5,499	
	Allowance for credit loss	(4,287)	(4,768)	

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Related party	A title of account	December 31, 2016	December 31, 2015
Associates	Deposits due to customers	14,047	1,378
	Other liabilities	279	223
Poonglim Industrial Co., Ltd.	Loans	-	1,557
	Allowance for credit loss	-	(1,557)
	Deposits due to customers	283	7,906
	Other liabilities	-	5
STX Engine Co., Ltd.	Loans	107,974	120,706
	Allowance for credit loss	(89,531)	(25,665)
	Deposits due to customers	13,260	5,167
	Other liabilities	588	608
Samho International Co., Ltd.	Loans	37,327	43,484
	Allowance for credit loss	(717)	(5,883)
	Deposits due to customers	82,917	96,281
	Other liabilities	216	990
Force TEC Co., Ltd.	Loans	-	28,562
	Allowance for credit loss	-	(6,252)
	Deposits due to customers	-	355
	Other liabilities	-	1,207
Hana Engineering & Construction Co., Ltd. (*2)	Loans	-	71
	Allowance for credit loss	-	(71)
	Deposits due to customers	-	38
STX Corporation	Loans	144,035	151,829
	Allowance for credit loss	(92,643)	(19,186)
	Deposits due to customers	14,412	13,643
	Other liabilities	90	221
Osung LST Co., Ltd. (*2)	Loans	-	5,639
	Allowance for credit loss	-	(338)
	Deposits due to customers	-	983
	Other liabilities	-	2
Ilyang Construction Co., Ltd. (*2)	Loans	-	838
	Allowance for credit loss	-	(215)
Woori Columbus 1st Private Equity Fund	Other assets	-	546
K BANK Co.,Ltd.	Other assets	325	-
Others (*3)	Loans	619	-
	Allowance for credit loss	(253)	-
	Other assets	8	-
	Deposits due to customers	4,460	-
	Other liabilities	60	-

(\*1) As the Group lost significant influence over United PF 1st Corporate Financial Stability during the year ended December 31, 2016, the entity was excluded from the investment in associates.

(\*2) As the Group sold its ownership interests in the entities during the year ended December 31, 2016, these entities were excluded from the investment in associates.

(\*3) Others include Kyesan Engineering Co., Ltd., Good Software Lab Co., Ltd., Dongwoo C&C Co., Ltd., Heungjiwon Co., Ltd., Saman Corporation, Deokwon Food Co., Ltd. and QTS Shipping Co., Ltd., SJCO Co. Ltd., Woori Growth Partnerships New Technology Private Equity Fund, and DAEA SNC Co. Ltd.

(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	
			2016	2015
Corporation that have significant influence over the group	KDIC	Interest income	11,778	22,237
		Interest expenses	20,966	23,584
		Impairment losses due to credit loss	-	29
Associates	Kumho Tires Co., Ltd.	Interest income	2,430	2,698
		Fees income	6	6
		Interest expenses	68	205
		Impairment losses due to credit loss (reversal of allowance for credit loss)	162	(2,353)
	Woori Blackstone Korea Opportunity Private Equity Fund No.1	Fees income	1,364	1,437
	Woori Service Networks Co., Ltd.	Other income	29	28
		Interest expenses	49	83
		Fees expenses	985	821
		Other expenses	222	228
		Impairment losses due to credit loss	-	2
	Korea Credit Bureau Co., Ltd.	Interest expenses	138	74
		Fees expenses	1,915	1,690
	Korea Finance Security Co., Ltd.	Interest expenses	10	39
		Fees expenses	110	93
Reversal of allowance for credit loss		-	(3)	
Chin Hung International Inc.	Interest income	240	807	
	Fees income	1	1	
	Interest expenses	28	35	
	Reversal of allowance for credit loss	(481)	(534)	
Poonglim Industrial Co., Ltd.	Interest expenses	2	11	
	Reversal of allowance for credit loss	(1,557)	(1,565)	
STX Engine Co., Ltd.	Interest income	1,348	1,358	
	Fees income	58	67	
	Interest expenses	97	46	
	Impairment losses due to credit loss	63,866	20,524	
Samho International Co., Ltd.	Interest income	916	1,015	
	Fees income	5	3	
	Interest expenses	525	981	
	Reversal of allowance for credit loss	(5,166)	(2,098)	
Force TEC Co., Ltd.	Interest income	153	249	
	Impairment losses due to credit loss (reversal of allowance for credit loss)	-	5,900	

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	Related party	A title of account	For the years ended December 31	
			2016	2015
Associates	Hana Engineering & Construction Co., Ltd. (*1)	Reversal of allowance for credit loss	-	(98)
	STX Corporation	Interest income	1,039	1,729
		Fees income	75	89
		Interest expenses	7	6
		Impairment losses due to credit loss (reversal of allowance for credit loss)	73,457	(4,060)
	Osung LST Co., Ltd. (*1)	Interest income	170	226
		Interest expenses	1	16
		Reversal of allowance for credit loss	(338)	(223)
	Woori Columbus 1st Private Equity Fund	Fees income	308	546
	Ilyang Construction Co., Ltd.(*1)	Impairment losses due to credit loss	-	215
	K BANK Co.,Ltd.	Fees income	296	-
		Other income	1,638	-
	Others(*2)	Interest expenses	17	-
		Impairment losses due to credit loss	253	-

(\*1) As the Group sold its ownership interests in the entities during the year ended December 31, 2016, these entities were excluded from the investment in associates.

(\*2) Others include Kyesan Engineering Co., Ltd., Good Software Lab Co., Ltd., Dongwoo C&C Co., Ltd., The Base Enterprise Co., Ltd., Saman Corporation, Deokwon Food Co., Ltd., QTS Shipping Co., Ltd., Woori Growth Partnerships New Technology Private Equity Fund and DAEA SNC Co., Ltd.

- (4) Guarantees provided to the related parties are as follows (Unit: Korean Won in millions):

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	
KDIC	1,500,000	1,500,470	Loan commitment
Kumho Tires Co., Ltd.	24,187	11,623	Letter of credit and others
	126,435	143,756	Loan commitment
Korea Finance Security Co., Ltd.	205	209	Loan commitment
Korea Credit Bureau Co., Ltd.	33	28	Loan commitment
Woori Service Networks Co., Ltd.	171	173	Loan commitment
Chin Hung International Inc.	40,904	40,847	Loan commitment
STX Engine Co., Ltd.	63,103	74,135	Letter of credit and others
	685	13,019	Loan commitment
SamHo Co., Ltd.	30,083	28,976	Loan commitment
Force TEC Co., Ltd.	-	5,954	Loan commitment
STX corporation	24,316	23,235	Letter of credit and others
	71	9,131	Loan commitment

(\*) For the guarantee provided to the related parties, the Group recognized provisions for guarantees amounting to 70,587 million Won and 10,122 million Won, respectively, as of December 31, 2016 and December 31, 2015.

- (5) Compensation for key management is as follows (Unit: Korean Won in millions):

	<u>For the years ended December 31</u>	
	<u>2016</u>	<u>2015(*)</u>
Short term benefits	9,523	10,288
Severance payments	424	473
Total	<u>9,947</u>	<u>10,761</u>

(\*) As the scope of the compensation for key management disclosure has changed, the comparative amounts are restated.

Key management includes registered executives and non-registered executives. Outstanding assets and liabilities from transactions with key management amount to 913 million Won and 4,204 million Won, respectively, as of December 31, 2016. With respect to the assets, the Group has not recognized any allowance, nor provision.

**46. TRUST ACCOUNTS**

- (1) Trust accounts of the Group are as follows (Unit: Korean Won in millions):

	Total assets		Operating income	
	December 31, 2016	December 31, 2015	For the year ended December 31, 2016	For the year ended December 31, 2015
Trust accounts	38,807,666	34,135,580	751,691	784,155

- (2) Receivables and payables from the transactions between the Group and trust accounts are as follows (Unit: Korean Won in millions):

	December 31, 2016	December 31, 2015
Receivables		
Trust fees receivables	23,667	18,704
Payables		
Borrowings from trust accounts	2,687,776	3,794,847

- (3) Significant transactions between the Group and trust accounts are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2016	2015
Revenue		
Trust fees	78,616	51,322
Expense		
Interest expenses on borrowings from trust accounts	45,012	60,329

- (4) Principal guaranteed trusts and principal and fixed rate of return guaranteed trusts.

- 1) As of December 31, 2016 and 2015, the carrying of principal guaranteed trusts and principal and fixed rate of return guaranteed trusts are as follows (Unit: Korean Won in millions):

	December 31, 2016	December 31, 2015
Principal guaranteed trusts		
Old-age pension trusts	4,513	5,235
Personal pension trusts	532,959	523,544
Pension trusts	741,759	681,868
Retirement trusts	53,773	64,921
New personal pension trusts	8,536	8,540
New old-age pension trusts	2,919	3,376
Sub-total	1,344,459	1,287,484
Principal and fixed rate of return guaranteed trusts		
Development trusts	19	19
Unspecified money trusts	787	782
Sub-total	806	801
Total	1,345,265	1,288,285

- 2) As of December 31, 2016 and 2015, 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):

	December 31, 2016	December 31, 2015
Liabilities for the Group account (subsidy for trust account adjustment)	30	26

#### 47. 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 of its subsidiaries. Kwangju Bank and Kyongnam Bank were demerged as of May 1, 2014, and Woori Investment & Securities, Woori Aviva Life Insurance, Woori Savings Bank, Woori Asset Management, Woori Financial and Woori F&I were disposed of in due order during the period from March 2014 to June 2014.

With respect to the privatization of Woori Bank, the PFOC announced a plan on the merger between Woori Finance Holdings Co., Ltd (“Holding Company”) and Woori Bank and on the disposal of controlling and non-controlling interests (30% of ownership and 26.97% of ownership, respectively) of Woori Bank after newly listing its shares on the stock exchange. Pursuant to the plan, the Group merged with the Holding Company as of November 1, 2014, and was listed on Korea Stock Exchange on November 19, 2014.

On November 28, 2014, Korea Deposit Insurance Corporation (“KDIC”) commenced the bidding to dispose of controlling and non-controlling interests of the Group. With the successful bidding for non-controlling interests only, KDIC’s ownership of the Group decreased from 56.97% to 51.04%. Further, KDIC’s ownership of the Group was changed to 51.06% due to retirement of treasury stocks on October 2015.

On July 21, 2015, the PFOC, a deliberative body in charge of privatizing Woori Bank, held a meeting to discuss the means to promote the privatization plan. PFOC thereby announced a plan to maximize the retrieval of public fund that was initially invested and to sell the controlling shares to the investors (“oligopolistic shareholders”), in an effort to promote the early privatization and development of financial industry.

On October 2, 2015, Financial Services Commission (“FSC”) announced the amendment on normalization of business memorandum of understanding (“MOU”) in an effort to promote corporate value through enhanced managerial autonomy of the Group. FSC subsequently made amendments to the Enforcement Decree of the Special Act on the Management of Public Funds on March 29, 2016.

In addition, on August 22, 2016, PFOC announced a plan to sell about 30% shares out of 51.06% shares held by KDIC to multiple investors, ranging from 4 to 8% ownership each. Pursuant to the plan, the KDIC commenced the bidding to dispose of its shares by putting up a public notice of sale on August 24, 2016. As of September 23, 2016, KDIC received letters of intent from eighteen potential investors, with an intent to hold shares ranging from 82% to 119%. As a result of the bid, eight potential investors submitted bid letters for total of 33.7% shares. On November 13, PFOC announced that seven selected buyers acquired total of 29.7% shares of the Group. Upon successful privatization of the Group, PFOC, in an effort to ensure autonomous management of the private sector (i.e., oligopolistic shareholders), released the Group from the MOU on December 16, 2016. Further, in consideration with the benefits of privatization and the retrieval of public fund, the government will hold a discussion with PFOC on its plan to sell the 23.7% of the remaining shares of the Group held by KDIC.

#### 48. TERMINATION OF CONTRACT AND FOLLOW-UP AGREEMENT ON THE IMPLEMENTATION OF A MANAGEMENT PLAN

Upon successful privatization, the MOU on management normalization between the Group and KDIC on December 16, 2016 was terminated. The same parties instead signed a written agreement on disposal of shares of the Group for the purpose of the appropriate public fund management. According to the agreement, KDIC has the right to appoint one personnel from KDIC as a non-executive member of the board of directors of the Group, as long as KDIC holds over 10% voting shares, or is the largest shareholder (disregarding National Pension Service) holding more than 4% but less than 10% shares. Also, KDIC may claim inspection of the information related to the minutes of the board of directors and agenda that may have significant impact on the residual shares, as long as KDIC holds over 4% shares of the Group.

**49. BUSINESS COMBINATION****(1) Acquisition of Woori Wealth Bank in Philippines**

The Group acquired 51% interest ownership in Wealth Development Bank, a savings bank in Philippines, in October 2016. As the residual shares of 49% is owned by Viscal group, which operates retail businesses, the Group plans to expand its business operation through retail channels of Viscal group.

**(2) Establishment of Woori Bank Vietnam Limited**

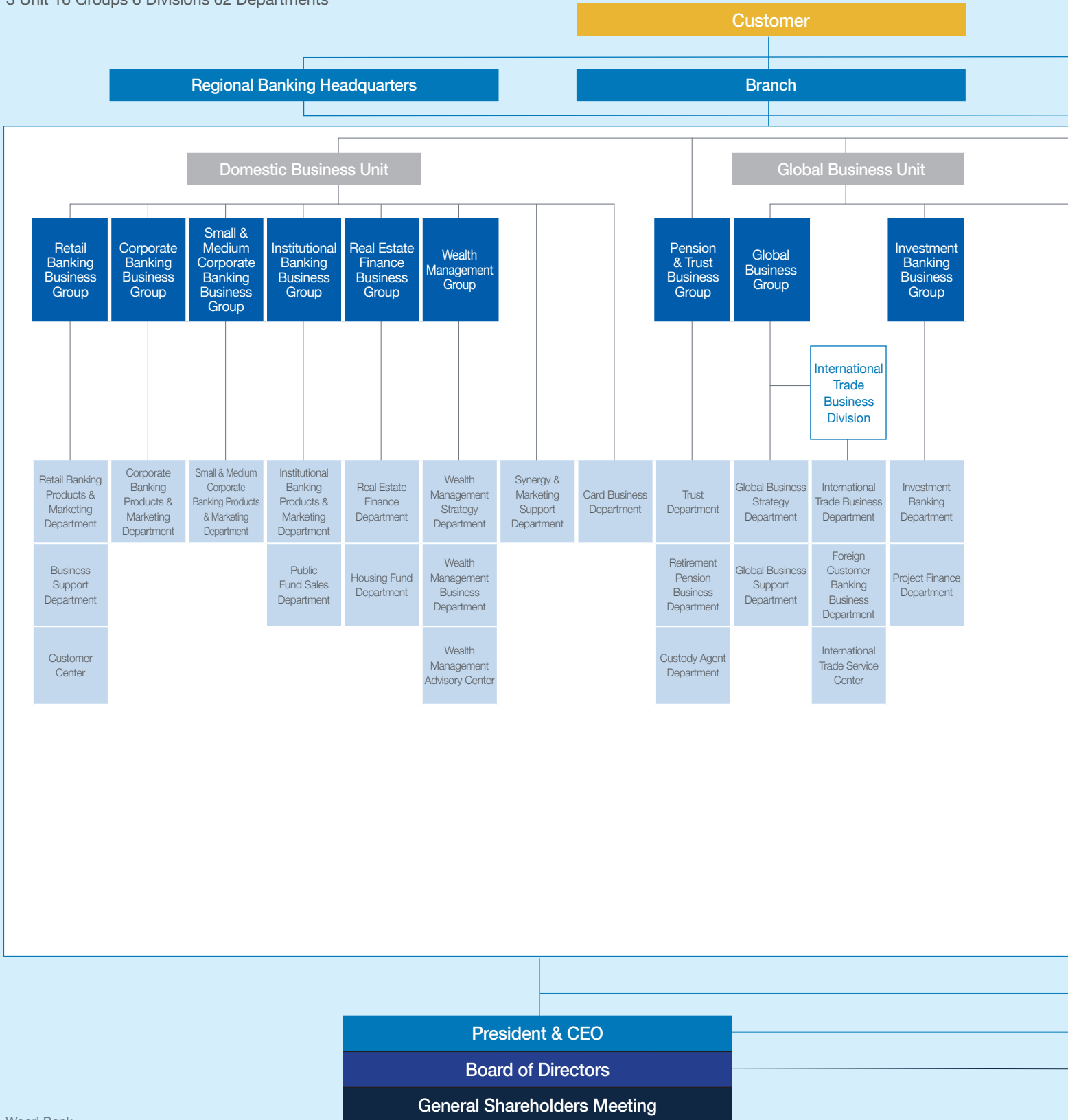
The Group established Woori Bank Vietnam (capitalized at 3 trillion VND) in October, 2016, upon the approval from Vietnam Central Bank and commenced its operation on January 3, 2017. The Group has operated two branches in Hanoi and Ho Chi Minh and established a subsidiary in order to expand its retail banking business in Vietnam.

**(3) Acquisition method (Unit: Korean Won in millions)**

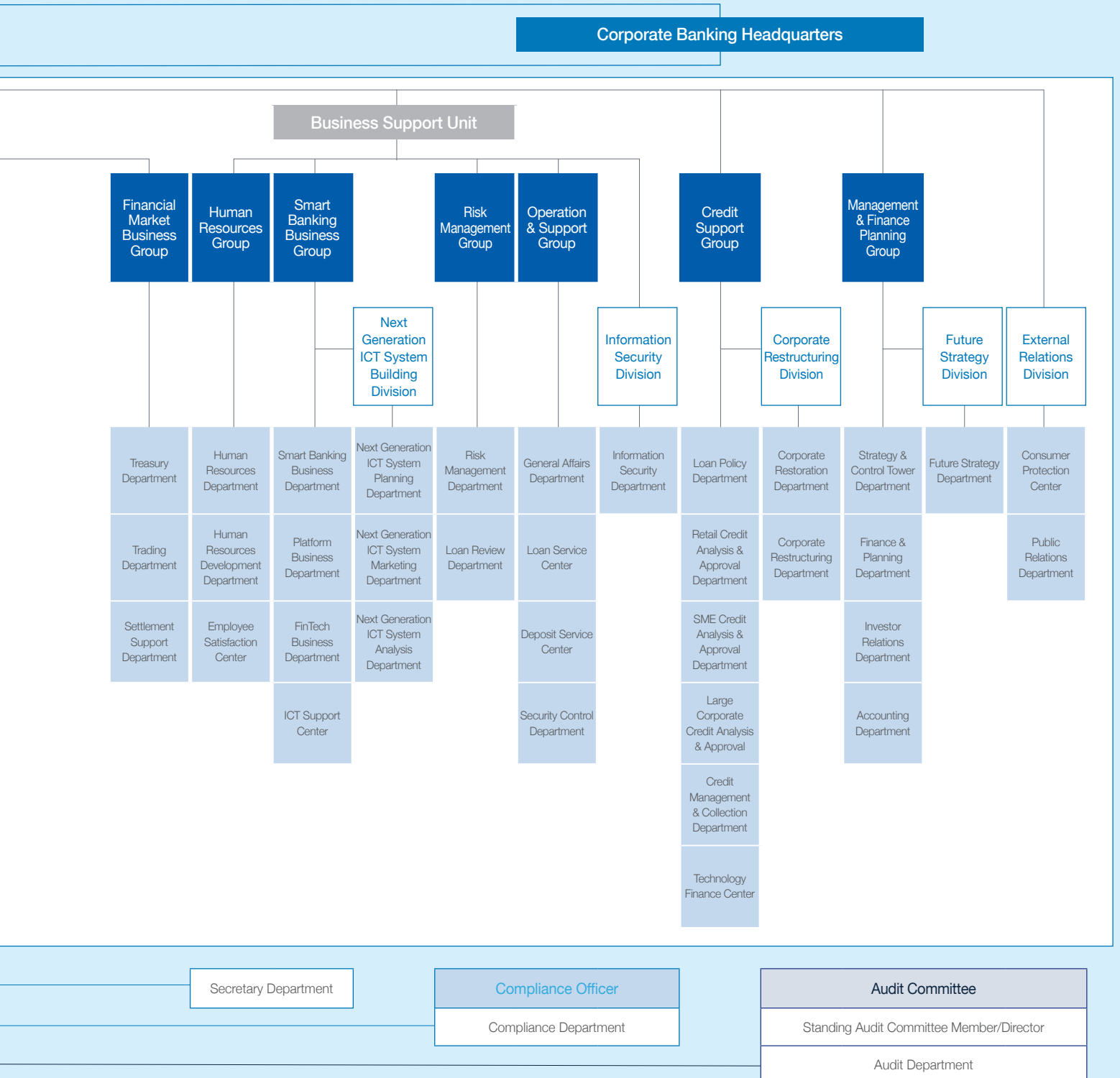
	Woori Wealth Bank in Philippines	Woori Bank Vietnam Limited	Total
I. Consideration			
Cash and cash equivalents	25,675	155,400	181,075
II. Identifiable assets and liabilities			
Cash and Cash equivalents	48,774	-	48,774
AFS financial assets	2,125	-	2,125
Loan and receivables	126,917	155,400	282,317
Property and equipment	651	-	651
Intangible assets	205	-	205
Other assets	8,792	-	8,792
Sub-total	187,464	155,400	342,864
Deposits	148,521	-	148,521
Allowance for credit losses	352	-	352
Tax liabilities	113	-	113
Other liabilities	3,655	-	3,655
Sub-total	152,528	-	152,528
Fair value of identifiable net asset	34,936	155,400	190,336
III. Non-controlling interest	17,118	-	17,118
IV. Goodwill	7,857	-	7,857

# Organizational Chart

3 Unit 16 Groups 6 Divisions 62 Departments







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Jl. Ronggo Warsito No. 53 Kota, Solo - Jawa Tengah/57131  
 · Phone: 62-271-633600  
 · Fax: 62-271-633433

**Tangerang Branch**

Tangerang City Business Park Blok F/50 Jl. Jend. Sudirman No.1 Tangerang/15118  
 · Phone: 62-21-29529226  
 · Fax: 62-21-29529227

**Pelembang Branch**

Jl. Basuki Rahmat No.886 A - Palembang/30127  
 · Phone: 62-711-315828  
 · Fax: 62-711-315510

**Sukabumi Branch**

Jl. Jenderal Sudirman No.31-Sukabumi/43111  
 · Phone: 62-266-6251906  
 · Fax: 62-266-6249717

**Pekalongan Branch**

Jl. KH. Mansyur No.64, Perkalangan  
 · Phone: 62-285-4460505  
 · Fax: 62-285-4460506

**Madiun Branch**

Jl. Diponegoro No.110, Madiun  
 · Phone: 62-351-4773000  
 · Fax: 62-351-4773003

**Jember Branch**

Jl. Gajah Mada No. Ruko Gajah Mada Square Block A2-3  
 · Phone: 62-331-421648  
 · Fax: 62-331-4350187

**Kediri Branch**

Jl. Brawijaya No. 25A Kota Kediri  
 · Phone: 62-354-4526726  
 · Fax: 62-354-4526716

**Buah Batu Sub-Branch**

Jl. Buah Batu No.58 Bandung/40265  
 · Phone: 62-22-7322150  
 · Fax: 62-22-7319626

**Kopo Mas Sub-Branch**

Komp Ruko Mas J-9 Jl. Kopo Cirangrang/40225  
 · Phone: 62-22-5436802  
 · Fax: 62-22-5436803

**Cimahi Sub-Branch**

Jl. Raya Cibabat No.310 Cimahi/40213  
 · Phone: 62-22-6634656  
 · Fax: 62-22-6634657

**Sukajadi Sub-Branch**

Jl. Sukajadi No.248/40153  
 · Phone: 62-22-2042248  
 · Fax: 62-22-2041213

**Soekarno Hatta Sub-Branch**

Jl. Soekarno Hatta No.618 F/40286  
 · Phone: 62-22-7509905  
 · Fax: 62-22-7509902

**Pemuda Sub-Branch**

Ruko Graha Mas Blok AA No.3 Taman Berkari Sentosa Jl.Pemuda/13220  
 · Phone: 62-21-47862070  
 · Fax: 62-21-4711298

**Subang Sub-Branch**

Jl. Ahmad Yani No.36/41211  
 · Phone: 62-260-421014  
 · Fax: 62-260-421015

**Sumedang Sub-Branch**

Jl. Prabu Geusan Ulun No.76/45311  
 · Phone: 62-261-206527  
 · Fax: 62-261-206528

**Tangerang Sub-Branch**

Ruko Pinangsia Blok H No.1 Lippo Karawaci Kel. Cibodas Tangerang/15139  
 · Phone: 62-21-55772345  
 · Fax: 62-21-5577636

#### Serang Sub-Branch

Jl. KH. Abdul fatah Hasan No.53 Kel. Cipare Serang/42124  
· Phone: 62-254-224142  
· Fax: 62-254-224243

#### Cikarang Sub-Branch

Cikarang Commercial Centre Blok A1-2, Jl. Cibarusa KM. 40 No.2 Kampung pasir sari kec. Cikarang Selatan/17550  
· Phone: 62-21-89835720  
· Fax: 62-21-89835721

#### Atrium Sub-Branch

Jl. KH. Hasyim ashari No.49 Cideng/10410  
· Phone: 62-21-3451964  
· Fax: 62-21-3451954

#### Kebon Jeruk Sub-Branch

Jl. Kelapa Dua Raya(RayaPanjang) No.2, Rt 008, Rw 002 Kel. Kelapa Dua Kec. Kebon Jeruk/12130  
· Phone: 62-21-53660160  
· Fax: 62-21-53660164

#### Diponegoro Sub-Branch

Jl. Diponegoro No.28 Bandung/40251  
· Phone: 62-22-87831928/87831909  
· Fax: 62-22-87831919

#### Lembang Sub-Branch

Jl. Grand Hotel Lembang No.25 Bandung/40391  
· Phone: 62-22-2784797  
· Fax: 62-22-2784975

#### Cikarang Sub-Branch

Ruko Metro Boulevard Kav. A Jl. Niaga Raya No.10 Kawasan Industri Jabeka/17835  
· Phone: 62-21-89836020/021-89837020  
· Fax: 62-21-89835953

#### Majalengka Sub-Branch

Jl. KH. Abdul Halim No.447 Majalengka/45411  
· Phone: 62-233-8285460  
· Fax: 62-233-8285459

#### Kuningan Sub-Branch

Jl. Dewi Sartika No.4/45512  
· Phone: 62-232-8880938  
· Fax: 62-232-8880939

#### Indramayu Sub-Branch

Jl. DI. Panjaitan No.103/45212  
· Phone: 62-234-276236  
· Fax: 62-234-276237

#### Cibubur Sub-Branch

Cibubur Times Square Blok B1/1 Jl. Alternatif Cibubur KM 3 Kel. Jatiraya, Kec. Jastisampurna Bekasi/17435  
· Phone: 62-21-84305050  
· Fax: 62-21-84305353

#### Purwakarta Sub-Branch

Jl. Basuki Rahmat No.94, Purwakarta/41114  
· Phone: 62-264-8227474  
· Fax: 62-264-8227475

#### Cikampek Sub-Branch

Jl. Terusan Sudirman No.6B(Sudirman Center)/41373  
· Phone: 62-264-8385171,72  
· Fax: 62-264-8385088

#### Depok Sub-Branch

Jl. Margonda Raya No.1 Rt 001/011 Kelurahan Depok Kecamatan Pancoran Mas/16431  
· Phone: 62-21-7522091  
· Fax: 62-21-7522092

#### Salatiga Sub-Branch

Ruko Wijaya Square B5 Jl.Diponegoro No.110 Salatiga/50711  
· Phone: 62-298-311828  
· Fax: 62-298-312808

#### Sidoarjo Sub-Branch

Jl. KH. Mukmin No.11 Blok B-7 Sidoarjo/60281  
· Phone: 62-31-8922842  
· Fax: 62-31-8922841

#### Mojokerto Sub-Branch

Jl. Gajah Mada No.85B/60319  
· Phone: 62-321-383444  
· Fax: 62-321-383465

#### Cianjur Sub-Branch

Jl. Abdulah Bin Nuh No.15/43253  
· Phone: 62-263-260941, 260943, 260945  
· Fax: 62-263-280712

#### Pamulang Sub-Branch

Jl. Dr. Setiabudi No.71 Kav. 6 Pamulang Timur/15417  
· Phone: 62-21-7403205, 7443335  
· Fax: 62-21-7402330

#### Sumber Sub-Branch

Jl. Dewi Sartika No.57 Sumber/45611  
· Phone: 62-231-8330618  
· Fax: 62-231-8330619

#### Bantul Sub-Branch

Jl. Jenderal Sudirman No.130 Kabupaten Bantul/55713  
· Phone: 62-274-367514  
· Fax: 62-274-368787

#### Balaraja Sub-Branch

Komplek Ruko Balaraja Center Blok A No.2 Jl. Raya Serang Km. 24 Talaga Sari Balaraja-tan-gerang/15610  
· Phone: 62-21-29015618  
· Fax: 62-21-29015474

#### Ciledug Sub-Branch

Ruko Dian Plaza Jl. Raden Fatah No.8A Kelurahan Sudirman Selatan,Ciledug/15225  
· Phone: 62-21-7330545  
· Fax: 62-21-7330706

#### Gunung Sabeulah Sub-Branch

Jl. Gunung Sabeulah Kel.Tawang Sari Kec. Tawang kota Tasikmalaya/46112  
· Phone: 62-265-326147  
· Fax: 62-265-331135

#### Garut Sub-Branch

Jl. Ahmad Yani No.33/44117  
· Phone: 62-262-544672  
· Fax: 62-262-544670

#### Magelang Sub-Branch

Ruko Metro Square Blok F No.25/56172  
· Phone: 62-293-326498-99  
· Fax: 62-293-326356

#### Padalarang Sub-Branch

Jl. Raya Padalarang No.463 H/40553  
· Phone: 62-22-6803940/41  
· Fax: 62-22-6803935

#### Patrol Sub-Branch

Jl. Raya Patrol Anjatan Blok Bunder No.52/45256  
· Phone: 62-234-5613627  
· Fax: 62-234-611919

#### Gianyar Sub-Branch

Jl. By.Pass Dharma Giri No.99/80511  
· Phone: 62-361-8958295  
· Fax: 62-361-8958194

#### Gresik Sub-Branch

Ruko KIG Jl. Tri Dharma Kav. A-14/61117  
· Phone: 62-31-3981758  
· Fax: 62-31-3981720

#### Karawang Sub-Branch

Jl. Tuparev No.499 (Johar) Kab. Karawang  
· Phone: 62-267-8454873-74  
· Fax: 62-267-8454875

#### Cibinong Sub-Branch

Jl. Raya Mayor Oking No.158 V/16918  
· Phone: 62-21-87904397  
· Fax: 62-21-87904443

#### Singaparna Sub-Branch

Jl. Raya Timur No.45 Singaparna/46416  
· Phone: 62-265-543111-3  
· Fax: 62-265-545074

#### Ciamis Sub-Branch

Jl. Letjen. Samuji Ruko No.35/46211  
· Phone: 62-265-772221  
· Fax: 62-265-777860

#### Sleman Sub-Branch

Jl. Magelang KM 12.8 No.200/55514  
· Phone: 62-274-865922  
· Fax: 62-274-866168

#### Losari Sub-Branch

Jl. Soekarno Hatta NO.77 Losari/45192  
· Phone: 62-231-8832738-39  
· Fax: 62-231-8832736

#### Bekasi Sub-Branch

Jl. Raya Narogong KM 12.5 No.23A/17151  
· Phone: 62-21-82611045-46  
· Fax: 62-21-82605356

#### Kudus Sub-Branch

Jl. Sunan Kudus No.5 a/509000  
· Phone: 62-291-4249241  
· Fax: 62-291-4246497

#### Pamanukan Sub-Branch

Jl. Eyang Tirtapraja No.54 Kab. Subang/41254  
· Phone: 62-260-551773  
· Fax: 62-260-551774

#### Majalaya Sub-Branch

Jl. Alun-alun utara/Jl. Tengah komp ruko perma-ta majalaya Blok C6/40382  
· Phone: 62-22-85963799  
· Fax: 62-22-5959826

#### Pangalengan Sub-Branch

Jl. Raya Pintu Pangalengan KM-1/40378  
· Phone: 62-22-5979222  
· Fax: 62-22-5978690

#### Cilegon Sub-Branch

Jl. Jend. A. yani Komp Cilegon green megablok Blok D3 No.17 Cibeer - cilegon/42433  
· Phone: 62-254-8484772  
· Fax: 62-254-8484773

#### Rangkasbitung Sub-Branch

Jl. Raden Hardiwinangun Blok A No.9/42314  
· Phone: 62-252-203612  
· Fax: 62-252-203613

#### Tabanan Sub-Branch

Jl. Ngurah Rai No.73 Kediri/82121  
· Phone: 62-361-814160  
· Fax: 62-361-814281

#### Surabaya Barat Sub-Branch

Surya inti permata II Blok C-6 Jl. HR Muhammad No.175 Surabaya/60266  
· Phone: 62-31-7381606  
· Fax: 62-31-7387007

#### Soreang Raya Sub-Branch

Jl. Raya Soreang No.412/40900  
· Phone: 62-22-5896880  
· Fax: 62-22-5897444

#### Ujung Berung Sub-Branch

Komp Ruko Bandung Timur Plaza No. RA Jl. A.H. Nasution Kav. 46A Ujung Berung/40612  
· Phone: 62-22-7834128  
· Fax: 62-22-7834153

#### Jemur Sari/Surabaya selatan Sub-Branch

Jl. Raya Jemursari No.15C Surabaya/60237  
· Phone: 62-31-8480454  
· Fax: 62-31-8480483

#### Luragung Sub-Branch

Jl. Siliwangi No.18 Kec Luragung, Kab Kuning-an/45581  
· Phone: 62-232-870016  
· Fax: 62-232-870020

#### Pangandaran Sub-Branch

Jl. Parapat, Desa Pangandaran, kec panganda-ran kab ciamis/46396  
· Phone: 62-265-630400, 630010  
· Fax: 62-265-630800

#### Purwodadi Sub-Branch

Jl. Letjend. S. Parman No.13 Kel. Purwodadi Kec. Purwodadi Jawa Tengah/58111  
· Phone: 62-292-423399  
· Fax: 62-292-423799

#### Leuwi Liang Sub-Branch

Jl. Raya Jasinga 11A Kel. Cibeber, Kec. Leuwil-ang Kab Bogor/16640  
· Phone: 62-251-8640297  
· Fax: 62-251-8640299

#### Ciawi Sub-Branch

Jl. Perjuangan No.80 Kp.Karanganyar Rt. 04 Rw. 05 Desa Pakemitan Kec Ciawi Kab. Tasik-malaya/46156  
· Phone: 62-265-4551613, 455167  
· Fax: 62-265-455162

#### Cilacap Sub-Branch

Jl. Jend. A Yani No.46 Cilacap/53212  
· Phone: 62-282-537929  
· Fax: 62-282-535522

#### Jombang Sub-Branch

Jl. KH. Wahid Hasyim No.71 Kota Jombang-Ja-wa Timur/61411  
· Phone: 62-321-878906, 872906  
· Fax: 62-321-860904

#### Banjar Sub-Branch

Jl. Letjen Soewarto No.92/46321  
· Phone: 62-265-740557  
· Fax: 62-265-740558

**Boyolali Sub-Branch**

Jl. Pandanaran No.179 B Kab.Boyolali/57313  
 · Phone: 62-276-323655  
 · Fax: 62-276-323650

**Martadinata Sub-Branch**

Jl. RE Martadinata Pav 123 Bandung/40114  
 · Phone: 62-22-71070901  
 · Fax: 62-22-7107091

**Melawai/Radio dalam Sub-Branch**

Jl. Radio dalam raya No.4 Kel. Gandaria Utara  
 Kec. Kebayoran baru Jakarta selatan/12160  
 · Phone: 62-21-7211005  
 · Fax: 62-21-7210970

**Singaraja Sub-Branch**

Jl. Ngurah Rai No.16 Singaraja Kelurahan Kendran Kecamatan Buleleng/81112  
 · Phone: 62-362-25098  
 · Fax: 62-362-26605

**Manonjaya Sub-Branch**

Jl. RTA. Prawira Adiningrat No.214 A Desa Manonjaya kec. Manonjaya-Tasikmalaya  
 · Phone: 62-265-380510  
 · Fax: 62-265-380356

**Surabaya Utara Sub-Branch**

Jl. Kertajaya Indah No.9/F-105 Surabaya/60161  
 · Phone: 62-31-3572064  
 · Fax: 62-31-3537005

**Batu Sub-Branch**

Jl. Brantas No.49 Batu-Malang/65314  
 · Phone: 62-341-513709  
 · Fax: 62-341-513712

**Palimanan Sub-Branch**

Jl. Otto Iskandardinata No.503 Palimanan  
 · Phone: 62-231-343950  
 · Fax: 62-231-343955

**Pelabuhan Ratu Sub-Branch**

Jl. Surya Kencana No.198 Cibadak - Kabupaten Sukabumi/43364  
 · Phone: 62-266-6441906  
 · Fax: 62-266-435511

**Bekasi Sub-Branch**

Annex Building Lt. 1 Jl. Afrika No.2 Krakatau Posco Cilegon/42435  
 · Phone: 62-21-82404282  
 · Fax: 62-21-82401878

**Wates Sub-Branch**

Jl. Kolonel Sugiyono No.3-Wates  
 · Phone: 62-274-6657325  
 · Fax: 62-274-774338

**Tanjung Priok Sub-Branch**

Jl. Enggano No.58 C- Tanjung Priok jakarta Utara/14310  
 · Phone: 62-21-4361667  
 · Fax: 62-21-4361668

**Karangnunggal Sub-Branch**

Jl. Raya Karangnunggal KP. Karangmekar RT/RW 03/09 Desa Hegarwangi Kec. Bantarkalong Kab.  
 · Phone: 62-265-258471-2  
 · Fax: 62-265-2584570

**Cibatu Sub-Branch**

Jalan Raya Cibatu - Limbangan Ruko Perum Buar Indah Blok C-29 No.15-17 Rt 06 Rw 04 Desa Cibunar Kecamatan Cibatu Kabupaten Garut  
 · Phone: 62-262-467708  
 · Fax: 62-262-467707

**Wonogiri Sub-Branch**

Jalan Ahmad Yani No.66, Wonogiri  
 · Phone: 62-271-633600  
 · Fax: 62-271-633433

**Kawali Sub-Branch**

Jl. Siliwangi No.262, Desa Kawali mukti  
 · Phone: 62-265-791560  
 · Fax: 62-265-791580

**Kepanjen Sub-Branch**

Jl. Kawi Ruko B 7, Kepanjen  
 · Phone: 62-34-1379840  
 · Fax: 62-34-1379839

**Pamekasan Sub-Branch**

Jl. Kabupaten No.114  
 · Phone: 62-324-333905, 333906  
 · Fax: 62-324-333604

**Kebumen Sub-Branch**

Jl. Ahmad Yani No.20, Kebumen  
 · Phone: 62-281-6222212  
 · Fax: 62-281-631616

**Mangga Dua Sub-Branch**

Ruko Harco Mangga Dua Blok L. No.5  
 · Phone: 62-21-6120176  
 · Fax: 62-21-6120179

**Kelapa Gading Sub-Branch**

Jl. Boulevard Barat Ruko MOI Blok I No.15  
 · Phone: 62-21-29364053  
 · Fax: 62-21-29364054

**Kayu Agung Sub-Branch**

Jl. Letnan Muthhar Saleh, Kayuagung, Palembang, South Sumatra  
 · Phone: 62-711-315828  
 · Fax: 62-711-315510

**Klaten Sub-Branch**

Jl. Pemuda No. 246 Klaten, solo  
 · Phone: 62-271-633600  
 · Fax: 62-271-633433

**Parung Sub-Branch**

Jl. Rayal Parung RT002/RW006, Kacamatan Parung, Kabupaten Bogor  
 · Phone: 62-2151-861-9559  
 · Fax: 62-251-861-5455

**Pasuruan Sub-Branch**

Jl. Panglima Sudirman No.45 Ruko I, Pasuruan, Malang  
 · Phone: 62-343-561-4700  
 · Fax: 62-343-561-4940

**Pati Sub-Branch**

Jl. Ir. Susato No.40 Pati, Jawa Tengah  
 · Phone: 62-24-352-1906  
 · Fax: 62-24-352-1900

**Sumenep Sub-Branch**

Jl. Trunouyo No. 244 Sumenep  
 · Phone: 62-328-6762234  
 · Fax: 62-328-6762242

**Dalem Kaum Cash-Office**

Jl. Dalem Kaum No.5 Bandung/40251  
 · Phone: 62-22-4211906  
 · Fax: 62-22-4206837

**Batujuajar Cash-Office**

Jl. Batujuajar No.324 Bandung  
 · Phone: 62-22-86861018/17/15  
 · Fax: 62-22-86861016

**Cimahi Cash-Office**

Cijerah II blok V No.3 Cimahi  
 · Phone: 62-22-86065156  
 · Fax: 62-22-6075579

**Suci Cash-Office**

Jl. PHH. Mustofa No.35/40124  
 · Phone: 62-22-7279740  
 · Fax: 62-22-7276361

**Jatinangor Cash-Office**

Jl. Raya Jatinangor KM 20.5 KKBI IKOP-IV/45363  
 · Phone: 62-22-7781587  
 · Fax: 62-22-7781563

**Darmaraja Cash-Office**

Jl. Raya Darmaraja No.253 desa Darmaraja, Kec Darmaraja Kab.Sumedang/45372  
 · Phone: 62-262-429000, 429069, 428478  
 · Fax: 62-262-429070

**Daan Mogot Cash-Office**

Jl. Tampak Siring No.12 Daan Mogot/11460  
 · Phone: 62-21-56944307  
 · Fax: 62-21-56944307

**Fatmawati Cash-Office**

Jl. Kesehatan Raya No.18B Rt 003 Rw 006 Kel Bintaro Kec. Sanggrahan Jakarta selatan/12430  
 · Phone: 62-21-7374693  
 · Fax: 62-21-7374408

**Cililitan Asabri Cash-Office**

Jl. Mayjen Sutuyo No.11 Gedung PT Asabri (persero) Jl. Cililitan - jakarta Timur/13630  
 · Phone: 62-21-80876494  
 · Fax: 62-21-80876381

**Bekasi Cash-Office**

Jl. Ir. H. Juanda No.111 Bekasi  
 · Phone: 62-21-88353901  
 · Fax: 62-21-88345693

**Jatibarang Cash-Office**

Jl. Letnan Joni No.178 Kec. Jatibarang - Kab Indramayu/45273  
 · Phone: 62-234-352911  
 · Fax: 62-234-352910

**Taman Topi Cash-Office**

Jl. Gedong Sawah I No.1 A Pabaton Bogor/16121  
 · Phone: 62-251-8335714  
 · Fax: 62-251-8335721

**Juanda/ KK Tajur Cash-Office**

Jl. Raya Tajur Ruko Galaxy No.59 H Bogo  
 · Phone: 62-251-7559203, 8384254  
 · Fax: 62-251-7559205

**Kendal Cash-Office**

Jl. Raya Utama No.9 weleri kenda  
 · Phone: 62-294-644704  
 · Fax: 62-294-644708

**Ungaran Cash-Office**

Ruko permata hijau No.1 Jl. MT Haryono No.16 Kel Ungaran Kec. Ungaran Barat Kab. Semarang/50511  
 · Phone: 62-24-76911017  
 · Fax: 62-24-76911001

**Serang Cash-Office**

Jl. Raya Serang- pandeglang KM 11 Lingkungan waru Lor, Desa/kel. Kamanisa Kec. Curug Kota serang/42117  
 · Phone: 62-254-222133  
 · Fax: 62-254-8494615

**Cilegon Cash-Office**

Annex Building Lt. 1 Jl. Afrika No.2 Krakatau Posco Cilegon/42435  
 · Phone: 62-254-369755  
 · Fax: 62-254-369759

**Ruko Union Cash-Office**

Ruko Union Square Blok A No.6 Lippo Cikarang, Cikarang Selatan  
 · Phone: 62-21-89909797  
 · Fax: 62-21-89903007

**Sadang Cash-Office**

Sadang Terminal Square No.07, 08, 25 Jl. Raya Sadang Purwakarta/41181  
 · Phone: 62-264-8220180  
 · Fax: 62-264-8220181

**Cilimus Cash-Office**

Jalan Raya Cilimus RT 017/04, Desa Cilimus Kecamatan Cilimus, Kabupaten Kuningan  
 · Phone: 62-232-615411  
 · Fax: 62-232-615412

**Gading Serpong Cash-Office**

Jl. Boulevard Raya Gading Serpong, Ruko Alexandrite 3, No.21, Kabupaten Tangerang  
 · Phone: 62-21-5421-2159  
 · Fax: 62-21-5421-0975

**Bojonegoro Cash-Office**

Jl. Untung Suropati Ruko Adipura Block A-11  
 · Phone: 62-353-311271  
 · Fax: 62-353-311270

**Surya Sumantri Cash-Office**

· Phone: 62-22-2021760  
 · Fax: 62-22-20271073

**Purbalingga Functional Office**

Jl. Ahmad Yani No.42 Purbalingga  
 · Phone: 62-81-89553  
 · Fax: 62-81-892034

**Sragen Functional Office**

Jl. Sukowati No.156 Sragen  
 · Phone: 62-71-895015  
 · Fax: 62-71-895013

**Cikajang Functional Office**

Jl. Raya Cikajang No.80 Garut  
 · Phone: 62-62-576094  
 · Fax: 62-62-576089

**Wonosari Functional Office**

Jl. KH. Agus Salim No.71A Wonosari - Kab Gunungkidul  
 · Phone: 62-74-3950673  
 · Fax: 62-74-3950673

**Dalem Kaum Functional Office**

Jl. Dalem Kaum No.5 Bandung  
 · Phone: 62-33-4233810  
 · Fax: 62-22-4206837

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Saint-Petersburg, 197374, Russia  
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### AO Woori Bank vladivostok Representative Office

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No.614, 29, Semenovskaya Str. Vladivostok,  
690091, Russia  
· Phone: 7-423-240-7014  
· Fax: 7-423-240-7015

## BRAZIL

### Woori Bank Brasil

Avenida Nacoes Unidas, 14,171, Crystal Tower,  
Conj.803, Vila Gertrudes, 04794-000, Sao  
Paulo-SP, Brasil  
· Phone: 55-11-2309-4740  
· Fax: 55-11-3511-3300

## CAMBODIA

### Woori Finance Cambodia Plc.

Building No.119B, Street271, Sangkat Phsar  
Doem Thkov Khan Chamkarmon, Phnom Penh.  
· Phone: 855-23-999-661  
· Fax: 855-23-999-663

### Russey Keo Branch

House No.1A, National Road 5, Sangkat Kilomet  
Lek6 Khan Russey Keo, Phnom Penh.  
· Phone: 855-23-999-664

### Pursenchey Branch

House No.6A, Russian Blvd, Tangoun Village,  
Sangkat Kakb, Khan Pursenchey, Phnom Penh.  
· Phone: 855-23-999-803

### Kean svay Branch

House No.330, National Road 1, Toul Tuaut  
village, Korkey Commune, kean Svay district,  
Kandal province  
· Phone: 855-23-720-632

### Takhmao Branch

Building No.31, Street2, Takhmao village,  
Takhmao Commune, Takhmao District, Kandal  
Province, Cambodia  
· Phone: 855-24-998-333

### PrekPhnov Branch

National highway 5, Kandal Village, Prek Phnov  
commune, Phnom Penh, Cambodia  
· Phone: 855-23-900-945

### Ang Snuol Branch

#109, National road No.4, Village Bek Chan,  
CommuneBek Chan, District Ang Snuol, Cam-  
bodia  
· Phone: 855-023-999-355

### Phsar Depo Branch

#138D, St 215, Sangkat Veal Vong, Khan Prum-  
pei Makara, Phnom Penh, Cambodia  
· Phone: 855-23-900-455

### AreyKshat Branch

#154, National Rd. 21 Preak Khsev Village,  
Rokar Khpos Commune, S'ang District, Kandal  
Province, Phnom Penh, Cambodia  
· Phone: 855-2490-1455

### Steung Meanchey Branch

No.19A St, Monireth, Phumdomnak Thom,  
Sangkat Steung Meanchey, Khan Meanchey,  
Phnom Penh, Cambodia  
· Phone: 855-23-901-345

### Chom Chao Branch

No.4A, St. Veng Sreng, Chrey Koung Village,  
Sangkat Chom Chao, Phnom Penh, Cambodia  
· Phone: 855-23-901-355

## MYANMAR

### Woori Finance Myanmar Plc.

115/A, Pyay Road, Saw Bwar Gyeekone  
Ward(10 miles),  
Insein Township Yangon, Myanmar  
· Phone: 95-01-643798

### North Okkalapa Branch

No. M(56), Thiriyadanar Wholesale Market  
NorthOkkalapa Township, Yangon, Myanmar  
· Phone: 95-99-6889-2300

### Mingladon I Branch

115/A, Pyay Road, Saw Bwar Gyeekone  
Ward(10 miles),  
Insein Township Yangon, Myanmar  
· Phone: 95-01-643798

### Mingaladon II Branch

4F, 115/A Pyay Road, Saw Bwar Gyeekone  
Ward(10miles), Insein Township, Yangon Myan-  
mar  
· Phone: 95-01-643798

### Nyaungdon Branch

Room No. 103, 1st Street, 5 Quarter, Nyaung-  
don Township, Ayerwaddy, Myanmar  
· Phone: 95-99-7674-7709

### Taikkyi Branch

Room No.9, Natsinkone Road, Ohtan Ward,  
Taikkyi Township, Yangon, Myanmar  
· Phone: 95-9-7717-81028

### Hmawbi I Branch

2F No(26) Tatkyee Kone village, Hmawbi Town-  
ship, Yangon, Myanmar  
· Phone: 95-9-9-74563586

### Hmawbi II Branch

1F No(26) Tatkyee Kone village, Hmawbi Town-  
ship, Yangon, Myanmar  
· Phone: 95-9-97456395

### Maubin I Branch

Plot No(34), No(396), Building 01, Yei Le road,  
Ward 7, Maubine Township, Ayeyarwaddy,  
Myanmar (2F)  
· Phone: 95 9 9712 25895

### Maubin II Branch

Plot No(34), No(396), Building 01, Yei Le road,  
Ward 7, Maubine Township, Ayeyarwaddy,  
Myanmar (1F)  
· Phone: 95 9 9616 12763

### Kawhmu Branch

No 192/B, Bogyoke St. South Wd Kawhmu  
Township, Yangon

## PHILIPPINES

### Wealth Development Bank

Taft Financial Center, Cardinal Rosales Avenue,  
Cebu Business Park, Cebu City, Cebu

### Alabang Branch

Unit 103, South Center Tower Condominium  
2206 Market Street, Madrigal Business Par  
Alabang, Muntinlupa City, Manila  
· Phone: 63-32-415-5265  
· Fax: 63-32-415-5266

### Angeles Marquee Mall Branch

Ground Floor, Marquee Mall, Don Bonifacio St.,  
Pulung Maragul Angeles City, Pampanga  
· Phone: 63-45-624-0072

### Legazpi Pacific Mall Branch

G/F Expansion II, Pacific Mall Legazpi, Landco  
Business Park, F. Imperial Street Cor. Circumfer-  
ential Road, Legazpi City 4500  
· Phone: 63-52-480-0038

### Lucena Pacific Mall Branch

Ground Floor L 1-26, Pacific Mall, M.L. Tagarao  
St. Landco Business Park, Brgy. III, Lucena City,  
Quezon  
· Phone: 63-42-795-3771  
· Fax: 63-42-795-3773

### Taguig Market Market Branch

Ground Floor, Play Ground Zone, Metro Market  
Market Mall, Mckinley Parkway, Fort Bonifacio  
Global City, Taguig City  
· Phone: 63-02-889-0275  
· Fax: 63-02-887-4371

### Cebu Ayala Branch

Ground Floor, Taft Financial Center, Cardinal  
Rosales Avenue, Cebu Business Park, Brgy.  
Luz, Cebu City  
· Phone: 63-32-415-4888  
· Fax: 63-32-415-5777

### Cebu Ramos Branch

Ground Floor, Hilario Chu Bldg., No. 148 F.  
Ramos St. Santa Cruz, Cebu City  
· Phone: 63-32-412-6302  
· Fax: 63-32-412-6353

### Cebu Carbon Branch

Ground Floor, M.C. Briones & Plaridel Sts., Cebu  
City  
· Phone: 63-32-416-9077  
· Fax: 63-32-416-9078

### Cebu Mandaue Branch

Ground Floor, G/F Meritz Building, A.C. Cortes  
Ave. Ibabao, Mandaue City, Cebu  
· Phone: 63-32-343-8144  
· Fax: 63-32-343-8143

### Cebu Tabunok Branch

Ground Floor, AGSY Bldg., National Hi-Way,  
Tabunok Talisay City, Cebu  
· Phone: 63-32-272-2955  
· Fax: 63-32-273-6870

### Cebu Mandaue Pacific Mall Metro Branch

Ground Floor, Mandaue Pacific Mall Metro  
National Highway corner M.B. Fernan Ave.  
Estancia, Ibabao, Mandaue City, Metro Cebu  
· Phone: 63-32-239-1072  
· Fax: 63-32-239-1073

### Cebu Mambaling Branch

G/F Metro Store Mambaling, Cebu, N. Bacalso  
Avenue corner F. Llamas Street, Basak San  
Nicolas, Cebu City  
· Phone: 63-32-414-4233

### T agbilaran Banking Center

Ground Floor, No. 15 JS Torralba St., Poblacion  
2, Tagbilaran City, Bohol  
· Phone: 63-38-411-4860  
· Fax: 63-38-501-9098

### Iloilo Banking Center

Ground Floor, ACCE Bldg., Mabini Ledesma St.,  
Liberation, Iloilo City  
· Phone: 63-33-338-4419  
· Fax: 63-33-338-4417

### Cagayan De Oro Banking Center

Ground Floor, Jammin Lui Bldg., corner A. Velez  
& Gomez Sts. Poblacion, Cagayan de Oro City,  
Misamis Oriental  
· Phone: 63-88-856-8974  
· Fax: 63-88-856-8942

### Davao Branch

Ground Floor, Door 8, 9 & 10 Grand MenSeng  
Hotel Pichon St., 1-E Poblacion, Davao City,  
Davao del Sur  
· Phone: 63-82-225-3318  
· Fax: 63-82-255-3319

## VIETNAM

### Woori Bank Vietnam

34F, Keangnam Landmark 72, E6 Pham Hung  
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· Phone: 63-82-225-3318  
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## OVERSEAS OFFICES

### MALAYSIA

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· Fax: 60-3-2163-9288

### MYANMAR

#### Woori Bank Yangon, Myanmar Office

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### IRAN

#### Woori Bank Iran Representative Office

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Directed by Woori Bank

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