



WOORI BANK ANNUAL REPORT 2018

We Believe
in Your Potential

Since this year is 120th Woori Bank's anniversary(exceeding 100 years of age, we are now reborn 'in our Twenties with Youthful sprit' going global), we have selected as a new spokesmodel BLACKPINK*, who have grown to become the leading Korea's international girl group in their twenties.

We Believe



BLACKPINK

BLACKPINK has become the 1st K-pop group to have a music video titled 'Ddu-Du Ddu-Du' with more than 800 million YouTube views.

BLACKPINK, who debuted in 2016, already made history when its latest single, 'Kill This Love,'* charted on Billboard's main singles chart, the Hot 100, making it the 1st female K-pop group to record such an achievement.

* 'Kill this Love' was released on April 5, 2019 and exceeded 300 million YouTube views in early May 2019

in Your Potential

Woori Bank(WOORI means 'our' in Korean) was established in 1899 as the nation's 1st and the only traditional bank to believe in our customers potential to prosper with the Korean economy for 120 years. Woori Bank started anew as Woori Financial Group Inc. this year and will continue to actively support the financial industry in Korea.

Woori Bank will provide a diverse range of secure financial services by taking the lead in the 4th industrial revolution in finance and create a convenient financial environment for customers by applying new digital technologies to the world of finance.

We will serve as a robust financial partner that fulfills its social responsibilities and promote the coordinated development between the banking sector and the society, thereby ensure that our society positively grows together with us.

Going beyond the No.1 financial group with comprehensive services in Korea by supporting/believing in our customers potential to achieve their best performances, we will become a representative bank in Asia and will also take the lead in global financial markets.



120th
Anniversary

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*We believe that with WOORI,
our customers can make
their dreams come true*

BLACKPINK_Jennie

We

Dreaming



We



*We believe that with WOORI,
our customers can overcome any
challenges and become stronger*

BLACKPINK_Rosé

We

Challenging



We



*We believe that with WOORI,
our customers can enjoy
their everyday lives to the fullest*

BLACKPINK_Lisa

We

Enjoying

We





*We believe that with WOORI,
our customers can continue to ongoingly
take the lead in setting & achieving their goals*

BLACKPINK_ Jisoo

Me

Continuing

We



We Believe in Your Potential



For MyungSung Placon going global with the best-in-class agricultural equipment, Woori Bank is a forever companion.

MyungSung Placon strives for exclusive agricultural management for farmers for almost 20 years as a producer of hot water protective curtains, while engaging in rockwool culture for agriculture. It could be what it is today in the challenging environment thanks to its unwavering efforts and passion for high-efficiency agricultural management and "Woori Bank" – a reliable partner at all times.

MyungSung Placon is a 100 percent exporter, and generates over USD 70 million for export income per year. It currently exports to Uzbekistan, but Woori Bank wishes for the company to achieve outstanding results in different parts of the world and the two could continue to play roles as partners for shared growth to a greater extent. Woori Bank will support the company to foster technical prowess and passion of MyungSung Placon through solid partnership built up especially in times of hardship.

www.msplacon.com



Woori Bank endorses next-generation start-ups that are spotlighted by one and the only enterprise L Fin Co., Ltd. that deal with Mobile Communication Base Transceiver Station based technologies, which is highly authenticated and safe from forgery, alteration, and counterfeiting.

Woori Bank's WiBee Fintech Lab fosters start-ups and provides them opportunities to learn and acquire know-how related to banking and finance. Woori Bank has reaffirmed its firm position as a stepping stone for start-up growth. We are eternally grateful to the staff of Woori Bank for helping us out in many areas. We hope to generate favorable performance by benchmarking such cases later when we work with other companies in the financial sector.

We think that by fostering the growth of new enterprises, the bank will help many companies transcend borders. We at L Fin look forward to future successes in partnership with Woori Bank.

<http://www.lfin.kr/>



Jung, Yeong Hun
CEO of MyungSung Placon Ltd.



Park, Young Kyung
CEO of L Fin Co., Ltd.

Jang, Hye Ree
Director of AIZEN Global



AIZEN Global, which provides Massive-model Financial 'AI Chip' called ABACUS, is moving forward with Woori Bank

Woori Bank has been the main sponsor of AIZEN from the early stage, by providing premises and financial support. As a strategic partner of Woori Bank, AIZEN provides AI-based delinquency prediction platform and is designated by Korea's Financial Services Commission(FSC) to conduct AI underwriting along with Woori Bank.

Woori Bank is leading the digital transformation in the banking industry with AIZEN's technology. AIZEN combines data from multiple sources (from Banks to Non-banks like e-commerce and telco) and converts into 'Credit' data in Finance that add values in the Data Economy. We believe Woori Bank can be an innovation hub for banking technology and a great supporter of startups like us.

www.aizenglobal.com

Lee, Seo Youn
CEO (Designer) of
Lee Seo Youn Hanbok



There is an artisan that preserves traditions by operating a Hanbok (traditional Korean dress) shop near Gyeongbokgung Palace.

Woori Bank supports the passion of dressmakers preserving and creating custom-made traditional clothing Hanbok, restrained in style with beautiful vivid colors.

Lee Seo Youn Hanbok might seem to be an ordinary Hanbok shop, but it is different from other shops in that the designer designs clothes and uses selected materials to make clothing as well suited to people as their own skin. The shop highlights the new charms of Hanbok that go beyond the traditional style.

As a customer, I am impressed that Woori Bank puts its customers needs first at all times and value their reliable and friendly services. The designer that dreams of making custom-made Hanbok for people from all works of life fosters yet another dream with Woori Bank.

seoyoun2200@hanmail.net

MESSAGE FROM THE CEO





Woori Bank set its management goal for 2019 as 'Together with Our Customers for 120 Years, Emerging as a Great Bank.'

First of all, I would like to extend my warmest gratitude to our valued shareholders and customers for their continued support of Woori Bank.

2018 was a rewarding year for Woori Bank. It was a year in which the prestige of Woori Bank was enhanced: we recorded outstanding performances in all aspects including profitability, growth and soundness, achieved our best-ever financial performance, ranked No. 1 in global networks and saw our global credit ratings improve.

The efforts of all employees at Woori Bank to raise shareholder value and the generous support of shareholders and customers contributed to the bank's outstanding performance.

In addition, we upgraded our corporate value through successful conversion into a holding company structure after four years of planning. I would like to sincerely thank all shareholders for fully supporting the conversion, and promise that Woori Bank will do its utmost to generate profits for shareholders and customers by making concerted efforts going forward.

Distinguished shareholders,
This year marks the 120th anniversary of the founding of Woori Bank. The history of Woori Bank is that of finance in Korea built up by our customers and shareholders. Everything that we have achieved is, in part, thanks to our shareholders and customers who have trusted and encouraged Woori Bank. Against this backdrop, Woori Bank set its management goal for 2019 as 'Together with Our Customers for 120 Years, Emerging as a Great Bank.'

To this end, we will provide customized products and services for customers, and proactively develop our presence in asset management, CIB and innovative growth as new growth drivers for the future. By doing so, we will do everything possible to better satisfy shareholders and customers through unparalleled competitiveness.



Son, Tae Seung

Chairman & CEO, Woori Financial Group Inc.
President & CEO, Woori Bank



Woori Bank is to write a new chapter in its history through its transformation into a new financial group from this year.

Furthermore, we will protect the assets of our customers through reinforced risk management and internal controls and improve our best-in-class global competencies in Korea, thereby positioning ourselves as Korea's leading global bank. With confidence in our status as the number one financial institution in Korea, we will continue to fulfil our social responsibilities through continued support for the financially underprivileged and SMEs this year.

Esteemed shareholders,

As you are well aware, Woori Bank is to write a new chapter in its history through its transformation into a new financial group from this year. It is expected that more income will be returned to shareholders by strengthening the group's non-banking business and corporate value through M&As. I would like to ask for your keen interest in the growth of Woori Bank, and unwavering encouragement and support.

On a final note, from the bottom of my heart, I wish all our shareholders and customers continued health and happiness.

Thank you.



It is expected that more income will be returned to shareholders by strengthening the group's non-banking business and corporate value through M&As.



I would like to ask for your keen interest in the growth of Woori Bank, and unwavering encouragement and support.



BOARD OF DIRECTORS



Son, Tae Seung ●●

Chairman & CEO, Woori Financial Group Inc.
President & CEO, Woori Bank

- Head, Global Business Unit, Woori Bank
- Executive Vice President, Head of Global Business Group, Woori Bank
- Managing Director, Head of Financial Market Business Division, Woori Bank
- MBA, Aalto University School of Business
- LL.M., Seoul National University
- LL.B., Sungkyunkwan University



Oh, Jungsik ●●

Standing Audit Committee Member /
Director, Woori Bank

- CEO, KB Capital
- Managing Director, Commercial Banking Business Head, Citibank
- Senior Director, Risk Management Division, Citibank
- B.A. in International Economics, Seoul National University



Ro, Sung Tae ●●

Outside Director, Woori Financial Group Inc.
Outside Director, Woori Bank

- (Current) Chairman, Samsung Dream Scholarship Foundation
- President, Hanwha Life Economic Research Institute
- President, Korea Economic Research Institute
- M.A. and Ph.D. in Economics, Harvard University, The Graduate School of Arts and Sciences
- B.A. in Economics, Seoul National University



Park, Sang Yong ●●

Outside Director, Woori Financial Group Inc.
Outside Director, Woori Bank

- (Current) Professor Emeritus, Yonsei University
- Civilian Chair, Public Fund Oversight Committee
- Dean, School of Business, Yonsei University
- MBA and Ph.D. in Business Administration, New York University
- B.A. in Business Administration, Yonsei University



Chung, Chan Hyoung ●●

Outside Director, Woori Financial Group Inc.
Outside Director, Woori Bank

- (Current) Advisor, POSCO Capital
- CEO, POSCO Capital
- Vice Chairman, Korea Investment Management
- CEO and President, Korea Investment Management
- MBA in Finance, Korea University Business School
- B.A. in Business Administration, Korea University



● **Park, Soo Man**

Outside Director, Woori Bank

- (Current) Attorney, Park Soo Man Law Firm
- Attorney, Kim & Chang Law Firm
- MBA, University of Oxford
- LLB, Seoul National University



● **Kim, Joon Ho**

Outside Director, Woori Bank

- (Current) Professor of Industry-Academia Collaboration Foundation, Chung-Ang University
- Voluntary Restraint Chairperson, Korea Financial Investment Association
- Senior General Manager, Korea Post, Ministry of Science and ICT (MSIT)
- Ph.D. in Science of Public Administration, Kwangwoon University
- B.A. and M.A in Urban Public Administration, Dongguk University



● **Tian, Zhiping** ●

Outside Director, Woori Financial Group Inc.

- (Current) Vice President, Beijing FUPU DAOHE Investment Management Ltd.
- Vice President, Industrial and Commercial Bank of China (ICBC) Middle East Ltd. & ICBC London Ltd.
- Vice President, ICBC Branch of Sichuan Province
- IMBA, University of Hong Kong / MBA, Southwestern University of Finance and Economics
- B.A. in Government Economics Management, Shanxi University of Finance and Economics

BOARD OF DIRECTORS

● Woori Financial Group Inc.

● Woori Bank



Chang, Dong Woo

Outside Director, Woori Financial Group Inc.

- (Current) CEO, IMM Investment Corp.
- Representative Partner, IMM Investment Corp.
- ABAS Leader-AKT, Samil Accounting Corp.
- LLB, Hanyang University

● Bae, Chang Sik

Non-Standing Director, Woori Financial Group Inc.

- Senior General Manager, Human Resources and Administration, Korea Deposit Insurance Corp (KDIC)
- Head of Human Resources Development, KDIC
- Head of Settlement and Recovery Planning 2, KDIC
- B.A. in Trade, Hankuk University of Foreign Studies

● Lee, Jae Kyung

Non-Standing Director, Woori Bank

- (Current) Head, Collection General Dept., Korea Deposit Insurance Corp. (KDIC)
- Head, Personnel Support Dept., KDIC
- Head, PF Asset Recovery Dept., KDIC
- B.A. in Business Administration, Dankook University

CORPORATE GOVERNANCE



As of the end of December 2018, 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, etc. 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.

2018 Performance

The BOD held 13 meetings in 2018 to discuss a total of 44 agenda issues and 52 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 2018, 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 2019 draft management plan.

Committees under the Board of Directors

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.

2019 Plans

In 2019, 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 2019 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 2019, 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, etc.	9	3	General shareholders' meetings; corporate governance issues; management plans and strategies (establishment and implementation)
Accounting/ Financial Management	7	5	Approval and revision of closing financial statements; reporting and planning of financial results; bond issuance planning (including bonds in foreign currency) and limit controls
Portfolio & Risk Management/Investment/ Audit & Inspection/ Gov. Regulation	2	18	Integrated report on major loans; status report on bad loans; audit and internal control issues
HR/Organizational Management	2	2	Appointment and dismissal of Compliance Officers; appointment and dismissal of persons responsible for major responsibilities; appointment and dismissal of executive vice presidents and managing directors
Others	24	24	
Total	44	52	

Board of Directors



1. Son, Tae Seung	Chairman & CEO, Woori Financial Group Inc. / President & CEO, Woori Bank
2. Oh, Jungsik	Standing Audit Committee Member / Director, Woori Bank
3. Ro, Sung Tae	Outside Director, Woori Financial Group Inc. / Outside Director, Woori Bank
4. Park, Sang Yong	Outside Director, Woori Financial Group Inc. / Outside Director, Woori Bank
5. Chung, Chan Hyoung	Outside Director, Woori Financial Group Inc. / Outside Director, Woori Bank
6. Park, Soo Man	Outside Director, Woori Bank

7. Kim, Joon Ho	Outside Director, Woori Bank
8. Tian, Zhiping	Outside Director, Woori Financial Group Inc.
9. Chang, Dong Woo	Outside Director, Woori Financial Group Inc.
10. Bae, Chang Sik	Non-Standing Director, Woori Financial Group Inc.
11. Lee, Jae Kyung	Non-Standing Director, Woori Bank

Executive Vice President

Cheong, Chai Pong	Business Promotion Unit / Retail Banking Business Group
Kim, Jeong Ki	Business Support Unit / Human Resources Group
Lee, Dong Yeun	IT Group
Ha, Tae Joong	Corporate Banking Business Group
Lee, Jong In	Risk Management Group
Lee, Won Duk	Management & Finance Planning Group

Deputy Executive Vice President

Choi, Hong Sik	Institutional Banking Business Group
Cho, Su Hyeong	Consumer & Brand Group
Park, Hwa Jae	Credit Support Group
Shin, Myung Hyuk	Small & Medium Corporate Banking Business Group
Jeong, Jong Sook	Wealth Management Group
Kim, Jong Deuk	Financial Market Business Group

Managing Director

Suh, Young Ho	Global Business Group
Song, Han Young	International Trade Business Group
Kim, Jeong Rok	Investment Banking Business Group
Weon, Jong Rae	Operation & Support Group
Lee, Choong Ho	Corporate Restructuring Division
Ko, Young Bae	Trust & Pension Business Group
Go, Jeung Hyeun	Information Security Group
Kim, Sung Jong	IT Planning Division
Kim, Ho Jung	Real Estate Finance Business Group
Cho, Byung Kyu	Compliance Officer
Hwang, Weon Cheol	Digital Banking Business Group

* As of the end of April, 2019

**RELIABLE
FINANCIAL
GROUP
SHAPING
THE FUTURE**

Woori Financial Group Inc.

Woori Financial Group Inc. declared its new goal of becoming “Korea’s number one comprehensive financial group” at its launch ceremony. About 500 distinguished guests from Korea and abroad including the group’s top management, government officials including the Chairman of the National Policy Committee and the Chairman of the Financial Services Commission, and shareholder and customer representatives were in attendance to celebrate the launch of Woori Financial Group Inc.



With the launch of its new corporate structure, Woori Financial Group Inc. can now compete on an equal footing with other financial groups. The Group will work to establish itself as a global giant that captures the world’s attention, while achieving its goal of becoming the number one comprehensive financial group in Korea through the intensive restructuring of business portfolios and implementation of global strategies.



In addition, the Group will play a key role in the transformation of Korea’s financial market through digital innovation, and stand at the forefront of corporate social responsibility for the financially underprivileged, innovative companies and SMEs.



The Group will implement the CIB model to fully leverage its strengths including corporate banking capabilities and Korea’s largest overseas network, and provide customized asset management services to enhance customers’ finances through innovation in products and services. Woori Financial Group Inc. will make concerted efforts to become the best-in-class comprehensive financial group.

GROUP NETWORK

Woori Financial Group Inc. offer a variety of financial services to customers

Woori Financial Group Inc. is divided into four Units, two Divisions, and eleven Departments (including a secretariat) based on essential operations required at launch. The Group has about 110 employees selected both internally and externally. Its six subsidiaries are: Woori Bank, Woori FIS Co., Ltd., Woori Finance Research Institute Co., Ltd., Woori Credit Information Co., Ltd., Woori Fund Services Co., Ltd. and Woori Private Equity Asset Management Co., Ltd. In the near future, Woori Card Co., Ltd. and Woori Investment Bank Co., Ltd. are to be incorporated into the Group as subsidiaries of the holding company. (Co., Ltd. omitted from here on)



Address	Building A, The-K Twin Tower, 50, Jong-ro 1-gil, Jongno-gu, Seoul
Phone	82+ 1588-9955
Website	sscd.wooricard.com

Taking the Lead by Strengthening Internal Stability

Woori Card will always be an encouragement for our customers financial convenience. Woori Card values our customers most, and all of our employees are doing their best to be the companions that go forward together with our customers. The eyes and heart of Woori Card are always open to our customers. The employees of Woori Card will lead ahead in providing useful products and convenient services so that they can experience the best value in every moment. We will be the credit card company that leads change. Woori Card will surely become the financial company that swiftly adapts to the fast changing digital environment and offer new, differentiated benefits to our customers.



Address	51, Sogong-ro, Jung-gu, Seoul
Phone	82+ 2-2002-3000
Website	www.wooribank.com

The lifelong partner bank supporting our customers and shareholders for over 120 years

Woori Bank was the first Korean bank to be established in 1899 with national capital for the purpose of "facilitating the flow of funds and contributing to the development of the national economy." Woori Bank has prospered along with the development of the Korean economy to serve as a solid backbone for the Korean financial industry. Based on our strong relationship with our customers for over 120 years, Woori Bank will continue to provide financial services that help customers, shareholders, and all of society to build a future of happiness, and to undertake our social responsibility as a lifelong, reliable financial partner.



Address	Woori Bank Myeongdong Finance Center 3F, 42, Myeongdong-gil, Jung-gu, Seoul
Phone	82+ 2-2000-6600
Website	www.wooriib.com

The Top Investment Bank, Providing Total Financial Services

Woori Investment Bank is the one and only total financial subsidiary of Woori Bank, representing the nation's traditional banking services. Woori Investment Bank is committed to being a faithful asset management partner by providing upgraded products and services to clients, using diversified licenses, credit ratings, and the network of Woori Financial Group Inc. Woori Investment Bank promises to put in all efforts as a companion to achieve an abundant future for our customers.

Woori FIS



Address	Woori FIS, Woori Financial Sangam Center, 17, World Cup buk-ro 60-gil, Mapo-gu, Seoul
Phone	82+ 2-3151-7000
Website	www.woorifis.com

2020 Global Finance ICT Partner

As a comprehensive financial services ICT company, Woori FIS is able to provide One-Stop services from development planning to execution, based on expertise and hands-on experience derived from numerous projects working with banking, credit card, fund, insurance, and other related companies.

Woori FIS is the first South Korean company to successfully implement a total IT outsourcing model from development to IT infrastructure management. By acquiring three major international qualities of development, management, and security, our excellent ICT management system was internationally renowned.

Based on these strengths, Woori FIS is leading the innovation of customer business value by supporting stable global services to over 300 foreign branches in the U.S., China, and others and playing key roles in building the WiBee Bank in the FinTech wave.

Woori Finance Research Institute



Address	12th Floor of Seoul City Tower, 110, Huam-ro, Jung-gu, Seoul
Phone	82+ 2-2173-0500
Website	www.wfri.re.kr

The Insight Provider of Woori Financial Group Inc., The Opinion Leader of the Korean Financial Industry, The Think Tank Leading the Global Financial Industry!

As the think tank of Woori Financial Group Inc., Woori Finance Research Institute supports the decision-making of executives and consults development strategies for affiliates, seeking balanced development of the group's industry portfolio.

As the opinion leader and a specialized research institute leading financial industries both at home and abroad, we also share our research results through various types of reports, seminars, and press releases.

Woori Credit Information



Address	3rd Floor of Donghwa Building, 15, Eulji-ro 11-gil, Jung-gu, Seoul
Phone	82+ 2-2262-5800
Website	www.wooricredit.com

The Best Companion to Accomplish a Credit Society

The nation's first credit information company that leads the market with a long history and expertise. Woori Credit Information is the first domestic company to specialize in credit information, debt collection, and lease investigation, and was established in 1991 with full investment by Woori Bank. The company acquired the A+ rating from the Enterprise Credit Rating, winning shareholders' confidence. Moreover, the company takes part in social contribution activities (for example, the 1 Company 1 Village Country Love initiative), and also supports activities related to social welfare, and environment protection. Being a strong financial partner to creditors and a supportive partner to debtors for credit recovery, Woori Credit Information will be stepping stones for them and the best partner to accomplish a credit society.

Woori Fund Services



Address	3rd Floor of Woori Financial Sangam Center, 17, World Cup buk-ro 60-gil, Mapo-gu, Seoul
Phone	82+ 2-3151-3510
Website	www.woorifs.co.kr

Accomplish Trust of 200 Trillion KRW in 2020

We will continue to serve and impress our customers, who are the most valuable to us, for the next hundred years. Woori Fund Services provides various administration services including fund accounting and reference price computation for collective investment vehicles and general administration for real estate investment trusts. As an affiliate of Woori Financial Group Inc., Woori Fund Services successfully completed the development of "FundOne", a next generation administration system, in August of 2014, and has exerted ongoing efforts to develop systems and talent to provide better services.

Woori Private Equity Asset Management



Address	6th Floor of Seoul Finance Center, 136, Sejong-daero, Jung-gu, Seoul
Phone	82+ 2-6730-1200

Private Equity Asset Management Company, Leading Advanced Finance with Competitiveness

Established in October 2005 to develop a company specializing in private equity fund management representing Korea, by registering with the collective investment of private equity funds it added the business of managing hedge funds to the existing business of managing private equity funds.

The image features a dark blue background with several overlapping, curved bands in lighter shades of blue and purple. In the center, the text '120 years' is written in a large, elegant, light blue script font. To the right of the '120', the words 'Woori Bank' are written in a smaller, clean, white sans-serif font.

120 years Woori Bank



As the first financial group listed in Korea, Woori Bank established the foundation of Korean modern finance and led financial history by opening the first foreign branch.

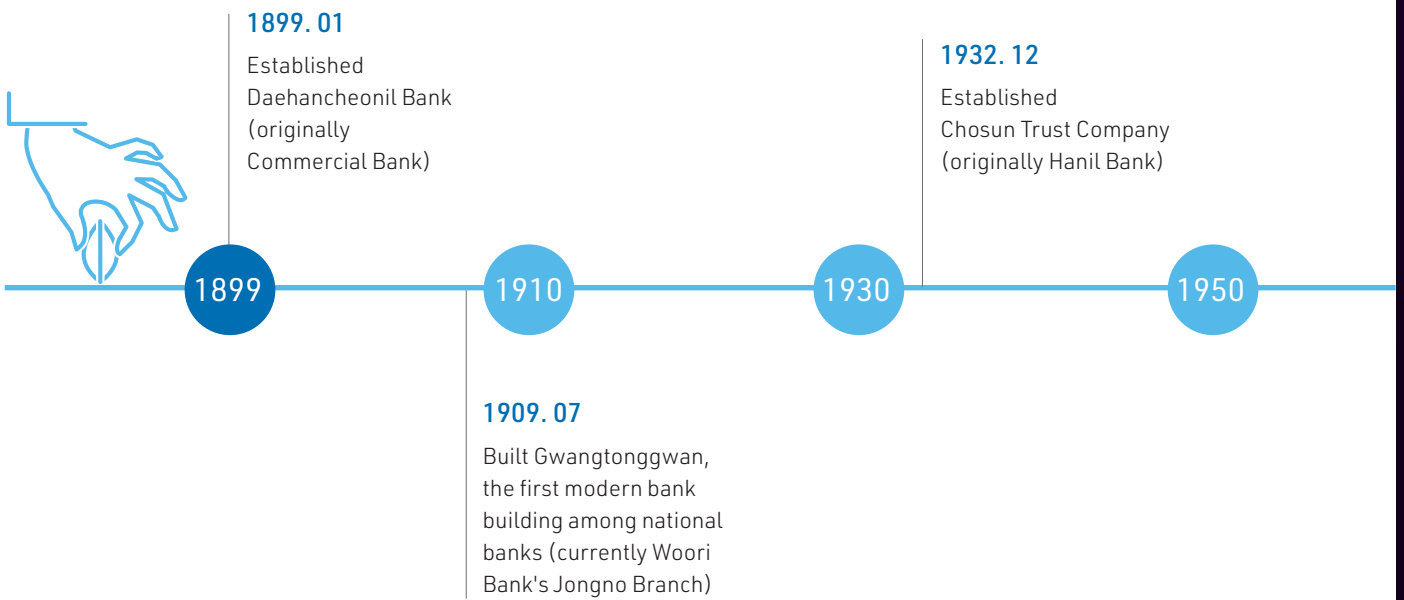
120 years have passed, generating values every year and overcoming daily challenges.

Starting from “Daehan Cheonil Bank” (meaning ‘number one bank under the sky’) to Woori Bank (meaning ‘our bank’) as of now, our bank has been the leading bank in the Korean banking sector for over 120 years, contributing to the development of Korean history and finance.

Woori Bank will continue to take the lead in developing Korea’s wealth and economy for the next centuries to come.

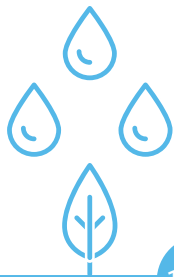
Birth of Korean financial history

1899
1954



A reliable companion of economic development

1955
1997



1955

1956. 03

First public offering on stock exchange

1968. 11

1st among Korean banks to open an overseas branch (Tokyo, Japan)

1970

1959. 06

Opened vault for ladies

1980

1977. 09

First in Korea to start online business between Seoul and Busan

1995

1982. 02

First in Korea to install online ATM

A New start of Woori

1998
2005



2000

1999. 01

Merger of Commercial Bank and Hanil Bank, inauguration of Hanvit Bank

1999. 12

Finished building Hoehyun-dong main office and relocation

2002. 05

Changed name to Woori Bank and CI (Corporate Identity)

2002. 12

Opened Ho Chi Minh office in Vietnam

2001. 04

Inaugurated Woori Finance Holdings Co., Ltd.

2001. 12

Division-merger with Peace Bank

2003. 06

Opened office in Moscow

2003. 08

Acquired the FRB approval for taking over Panasia Bank in the US

2005. 11

Opened Woori Finance Plaza, the first comprehensive finance center in Korea

2005

2004. 07

Opened Bank History Museum, the first museum in Korea to specialize in bank history

2004. 12

First to open Kaesong Industrial Complex Branch after the division of Korea

Taking the lead as the top global finance group

2006
2019



2006

2006. 12

Established Hong Kong Woori Investment Bank

2009

2007. 01

Awarded 2006 Deal of the Year by The Asset

2007. 11

Established local business corporation, Woori Bank (China) Limited

2009. 01

Woori Bank establishment documents, "Establishment & Accounting for Daehan Cheon Il Bank", designated as Seoul Tangible Cultural Property No. 279

2012

2008. 01

First among Korean financial institutions to establish local business corporation in Russia

2008. 11

Selected as "Best Bank in Korea" by The Banker for two consecutive years

2010. 03

China WooriBank qualified for "international settlement of yuan" as the first Korean bank

2010. 11

Woori Bank IT Department acquired "ISO 27001 Certification" in all departments

2012. 04

Awarded as Best Bank in Korea by The Asian Banker for two consecutive years

2012. 08

Established local branch in Brazil

2012. 11

Awarded first Grand Prize of "Anti-Money Laundering" by the Financial Services Commission

2011. 04

Awarded as Best Bank in Korea for Foreign Currency Department by The Asian Banker

2011.11

Selected as "Best Bank in Korea 2011" by The Banker magazine

2013

2013.12

Awarded Grand Prize of small loan Finance by the Financial Supervisory Service

2016

2015.02

Officially launched PT. Bank Woori Saudara Indonesia

2015.05

Launched the first mobile-only bank in Korea, WiBee Bank

2015.11

Opened Woori Finance Myanmar, Global Network no. 200 (first in Korea)

2019

2019.01

Inauguration of the Woori Financial Group Inc.

2014.01

Acquired final approval to take over Indonesia Saudara Bank

2014.05

Awarded as "Korea's Top Bank in Money Management" by The Asian Banker

2014.11

Woori Finance Holdings Co., Ltd. merged with Woori Bank

2014.12

Acquired final approval to merge PT. Bank Woori Indonesia with Saudara Bank

2016.02

WiBee Bank introduced in Indonesia, Vietnam, and Brazil

2016.05

Opened Iran office in Teheran (first among Korean financial institutions)

2016.09

First in Korea to issue \$500 million Foreign Currency Hybrid Bond (CoCo bond)

2018.02

Launched WiBee Homes, a real estate information platform

2018.05

Built and activated a next generation computer system, WINI (Woori Innovative New Infra)

2018.06

Acquisition of "Vision Fund Cambodia", attainment of 410 global networks

2018.10

Acquired approval for European subsidiary

Putting forth the best current net income accumulated for three quarters

2017.01

Selected as Best Wealth Management Provider 2016 by World Finance of the UK (first in Korea)

2017.02

Opened first Woori bank Office in Katowice, Poland

2017.10

Selected as major bank of the National Pension Service

2017.12

Reached 300 Global Networks

Son Tae Seung appointed as 51th President & CEO of Woori Bank

2018 NEWS HIGHLIGHTS

02

Woori Bank Named "The Bank of the Year in Korea" by The Banker

On November 30, 2017, Woori Bank was named the Bank of the Year in Korea at The Banker Awards 2018 hosted by world-renowned The Banker magazine. The Bank has now been named the Bank of the Year for three consecutive years after being selected as 'The Bank of the Year in Korea 2016' and 'Bank of the Year in Asia-Pacific 2017.'

The Banker evaluated the top 1,000 banks from 120 countries around the world this year, and selected one top bank by country and region, with Woori Bank ranked as number one in Korea. The Banker is an international financial affairs publication founded in 1926, owned by the Financial Times of the U.K. It is a highly prestigious magazine in the banking sector, which publishes the list of the Top 1,000 World Banks every year, a list frequently quoted in the financial markets.



Woori Bank's string of awards is attributable to its outstanding performance, its conversion into a holding company to expand profit potential, upgraded profit-generating capabilities by scaling up earnings in the fields of global business and asset management, and reinforced digital strategies to preemptively respond to the changing financial environment. All of this has contributed to raising Woori Bank's credibility and prestige.



01

Acquired Approval for Establishing a Financial Group and President & CEO Son Tae Seung of Woori Bank Appointed as Chairman of Woori Financial Group Inc.

Woori Bank acquired approval to establish a financial holding company from the Financial Services Commission on November 7. Woori Bank can now lay the foundation for intensified competitiveness as a comprehensive financial group through conversion into a holding company structure despite weaknesses in market positioning e.g. comprehensive financial services aligned with non-banking affiliates since Woori remained the only commercial bank without a financial holding company structure.

Driven by a holding company structure, Woori Financial Group Inc. is expected to not only expand its non-banking business portfolio and provide one-stop comprehensive asset management services but also engage in diverse multifunctional businesses including integrated customer management and services aligned with affiliates.

The Board of Directors of Woori Bank agreed to appoint President & CEO Son Tae Seung of Woori Bank as the Chairman of Woori Financial Group Inc., based on his ability to stabilize the organization in the early phase of its operations and efficiently handle issues requiring alignment between the holding company and the Bank. A holding company is to be established on January 11, 2019 to incorporate six subsidiaries including Woori Bank, 16 second-level subsidiaries including Woori Card and one third-level subsidiary company (the overseas subsidiary of Woori Card).

We are making concerted efforts to create a blueprint at this critical juncture of our transformation into a financial group in January 2019 after successful privatization in 2016. The launch of the financial group is just the start: we will soar to new heights as Korea's number one comprehensive financial group.

03

Supporting a Work-Life Balance, and Preemptively Implementing 'Woori Together Holidays' and a '52-Hour Workweek for the First Time in the Financial Sector'

Woori Bank has taken the lead in spreading a new work culture by adopting the 52-hour workweek for the first time among commercial banks as well as promoting 'Woori Together Holidays' to strike a work-life balance since last October. The 52-hour workweek refers to the policy of working a maximum of 52 hours a week including overtime and any work on official holidays or on weekends. The scheme was officially launched in July this year in corporations with 300 or more staff, but is to be implemented in the financial sector, including banking, starting from July 2019. However, Woori Bank has preemptively implemented the scheme for the first time in the financial sector, so the 52-hour workweek has been adopted in all branches and departments since October.



Branches and departments with frequent overtime were allocated more staff and work hours were adjusted to ensure a work-life balance along with higher workplace efficiency by improving work habits, introducing and complementing the scheme and establishing a new workplace culture. The existing PC-off program and substitute holiday scheme were improved, while flexible work arrangements were also introduced. Moreover, a new workplace culture was established by eliminating morning meetings at branches. Although implementation of the 52-hour workweek is subject to a grace period until July 2019, the Bank fully adopted it for the first time among commercial banks in order to strike a genuine work-life balance for staff. As such, Woori Bank has promoted an atmosphere of engagement in workplace culture to induce a work-life balance in the financial sector and played an exemplary role as a pioneer in the industry.

04

Woori Bank's Legend-making WiBee Women's Professional Basketball Team Achieves V10 - Its 10th Championship and 6th Consecutive Title



The team broke new ground by winning the championship for the sixth consecutive season in the Women's Korean Basketball League (WKBL). It broke the previous record with its 10th championship, for the first time in the history of the WKBL. Head coach Wie Sung-woo took the helm of the team and led the team to victory again after a crisis at the beginning of the season. The team played its third and final championship match of the 2017-2018 WKBL against the KB Stars of Cheongju at the Cheongju Gymnasium in North Chungcheong Province on March 21 and scored an overwhelming victory with a score of 75-57 against the KB Stars team.

The team's consecutive titles in the first, second and third championship matches highlight the team's superb caliber. KB Stars remained outmaneuvered by Woori Bank due to their weaker physical strength although Woori was fighting with its back to the wall in KB's home ground of Cheongju. The WiBee Women's Professional Basketball Team showed an uneasy start at the beginning of the season with two consecutive losses starting from the opening match due to repeated player injuries and retirement of center Yang Ji Hee. The KB Stars were not an easy team to beat in the championship as they had defeated Woori Bank with a 4-3 record in the league. However, the WiBee Women's Professional Basketball Team won the trophy more easily than expected thanks to the unique winning strategy of head coach Wie and his players.

05

Establishing a Culture of Communication through 'Woori Together Plaza'

The Management Innovation Department selected 15 specific tasks designed to enhance innovation in the corporate culture and implemented "innovation of the corporate culture driven by 'All Together'" in order to focus on 'Woori All Together, All New Woori,' the bank's slogan in 2018.

In addition, the content in 'Woori Together Plaza' was updated to highlight Woori's exclusive culture of communication, guaranteeing anonymity and encouraging free and constructive communication. Efforts were made to establish a new culture of communication through diverse ideas including Woori

Communication Plaza, Woori Ombudsman, Let's Praise Each Other, Beer Day Requests and CEO News, including comments from the president and encouragement through feedback from departments at the head office. 'Woori Communication Plaza,' where field staff and management communicate, has seen a dramatic increase in the number of postings and hits as comments with diverse suggestions, complaints and encouragement are posted. The number of postings increased from 37 in 2017 to 408 in 2018 (as of October-end), and the number of hits on average went up by 80 percent to 1,749 in 2018 from 985 in 2017. Some iconic ideas that led to practical changes included installing air purifiers in branches, replacing chairs at departments in the head office, avoiding overnight workshops and improving service over the phone at head office departments. 'Woori Together Plaza' will continue to serve as a representative communication channel for all employees.

06

Establishing 430 Global Networks for the First Time Among Domestic Banks



2018 was a year for Woori Bank to solidify its presence as a global leading bank once again. It completed the acquisition of 'VisionFund Cambodia', a local financial company with a nationwide network across Cambodia on June 21 and changed its name to 'WB Finance.'

WB Finance was established in 2003 as a retail-focused financial company with both loan and deposit services with total assets of KRW 260 billion. Woori Bank advanced into Cambodia by acquiring Woori Finance Cambodia in 2014 and built it into the 3rd biggest player out of 70 small-and medium-sized loan service companies.

Woori Bank has continuously implemented acquisitions of financial companies to expand investment, driven by the high economic growth of Cambodia and many years of experience in managing small-and medium-sized loan service companies. Starting with the acquisition of Bank Saudara of Indonesia in 2014, Woori Bank newly launched a specialized loan-focused financial company in Myanmar in 2015, acquired Wealth Bank, a savings bank in the Philippines and succeeded in establishing an overseas subsidiary in Vietnam in 2016, and opened a regional head office in India in 2017.

Woori Bank also acquired approval to establish an overseas subsidiary in Europe from Germany's federal financial regulator BaFin and the European Central Bank in 2018, thus continuously expanding its overseas busi-

ness by establishing a 'global financial belt' connecting Europe, Asia, the Middle East and the Americas.

As a result, Woori Bank now operates a total of 430 global networks, a mere three years following the opening of its 200th global network for the first time among Korean banks in 2015.

07

Implementing Marketing for the Youth Brand 'Twenty Woori', Promoting Challenge and Innovation Among the Next Generation

Woori Bank conducted marketing for its youth brand 'Twenty Woori', to attract young customers as part of its life-cycle marketing strategy. 'Twenty Woori' is Woori Bank's youth brand launched to fulfill the bank's social responsibilities by encouraging the next generation and supporting their growth. A savings product with the same name launched in conjunction with youth

brand marketing provides a maximum annual interest rate of 3.7% for young people in their 20s to accumulate assets, and achieved a subscribed volume of KRW 33.5 billion with 100,000 accounts. 22 percent of the subscribed members were new or inactive customers, and 61 percent of them have remained active.

At the head office, a launching ceremony for the first-generation publicity ambassadors recruited among university students for 'Twenty Woori' was held on November 16 to promote challenge and innovation among youth. Through public recruitment that began in October, 60 university students were selected as first-generation publicity ambassadors of 'Twenty Woori.'

They are encouraged to promote Woori Bank's youthfulness and its 120-year history for about five months, and plan on distributing product promotional content that will resonate with those in their 20s. Other youth marketing strategies supported by Woori Bank included signing partnership agreements with vocational (specialized) high schools and an agreement to manage the ID card system for Seoul National University, which had a 50-year banking relationship with a competing bank.



08

Ranked 1st

in Market Share of Earnings from Bancassurance

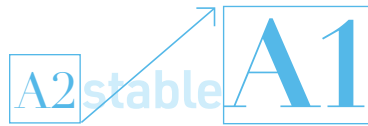
(1st for 4 Consecutive Years in Market Share
and 3 Consecutive Years in Earnings)

Woori Bank ranked 1st in bancassurance for four consecutive years in its market share and three consecutive years in its earnings, defeating its competing banks including Kookmin, Shinhan and KEB Hana. It is undoubtedly an amazing achievement, given that the bank does not have an affiliated insurance company since it was not a financial holding company. The Head of WM Group visited the entire Regional Banking Headquarters, and listened to on-site feedback through heart-to-heart conversations with Chair of PB Leaders Group, which was fully taken into consideration for corporate management.

Our bank also recommended leading products with competitive product line-ups for sales branches and distributed video series on best practices. Thanks to the backing of on-site-driven sales support, Woori Bank led the bancassurance market with an overwhelming lead over the runner-up.

We significantly increased our market share and earnings gap with competing banks, while raising the portion of transactions with corporations as a result of focusing on selling three-year maturity savings products for corporations based on a broad pool of corporations by launching customer-driven installment plans (1/3 plans, 1/2 plans).

We ensured strategic product management and timely marketing, thereby maximizing profits. Moreover, intensive targeting of the niche marketing with specialized product marketing by selling dental insurance and non-face-to-face single payment-based savings-type insurance, which contributed to raising our image as a bancassurance pioneer. We hope to soar even higher through synergies with affiliates as we make a new start as Woori Financial Group Inc.



MOODY'S

09

International Credibility Boosted with Higher Credit Ratings from Moody's (A2 → A1)

Moody's, the international credit rating agency, announced that it raised Woori Bank's credit rating by one notch from A2 to A1, and revised the Bank's ratings outlook from 'review or upgrade' to 'stable.' Moody's adjusted Woori Bank's rating outlook to 'stable,' while raising its credit rating to A1, believing that the Bank's asset soundness and capital adequacy have improved and remain sustainable.

This manifests Woori Bank's stronger fundamentals, the culmination of enhancing asset soundness by continuously shrinking the portion of loans in such economically sensitive or vulnerable industries as shipping, shipbuilding and construction, and intensifying capital adequacy by reducing risk-weighted assets and internal retained earnings.

Moody's upward adjustment of Woori Bank's credit rating heralded to the world that the reliable international credit rating agency recognized that the bank's improved profitability, asset soundness and capital adequacy are not transient outcomes but a result of upgraded fundamentals.

The new rating can also be interpreted to mean that improvements in all financial indicators have been witnessed based on management stability achieved after the appointment of President & CEO Son Tae Seung.



10

Inclusion within the Top 50 of the Best Korean Brands 2018

(Nominated by Interbrand)

Woori Bank was newly included within the 'Best Korean Brands 2018' nominated by Interbrand, known as the world's largest brand evaluation firm, on March 29, and the bank's brand value stood at KRW 1.7 trillion, ranking 16th. Interbrand is the world's largest global consultancy and has 21 offices in 17 countries around the world. It has provided consulting services to globally renowned brands including Microsoft, BMW, P&G, Google and SAMSUNG, and annually releases the list of 'Best Global Brands' which is one of the world's most influential rankings.

Interbrand ranked Woori Bank at 16th among the top 50 best brands in Korea, highlighting its successful privatization, its global network, the largest among commercial banks in Korea and its efforts at innovation in digital finance. Woori Bank put in place a stable governance structure through privatization based on an oligopolistic shareholder structure as of 2016-end and broadened its business presence through Korea's largest global network by actively advancing into Southeast Asian markets, including Indonesia and Vietnam.

Moreover, the bank is at the forefront of digital banking through projects where new innovative technologies are applied. It is expected that 2019 will emerge as the year to herald the new start of Woori Financial Group Inc., whose prestige and recognition are expected to grow.

COMPANY STRUCTURE



Woori Bank established Woori Financial Group Inc. in a comprehensive stock transfer scheme on January 11, 2019 to enhance the competitiveness of the bank as a comprehensive financial group.

At the time, the state-run Korea Deposit Insurance Corporation (KDIC) owned 51.06 percent of the bank's stake, and the plan was to sell 30 percent of the KDIC stake (a bidding volume of 4~8 percent per bidder) through bidding in a Competitive Auction Scheme. In principle, the shares were sold to the highest bidders, but, the PFOC also took into account factors other than the bidding price, considering the winning shareholders' potential influence on Woori Bank's management.

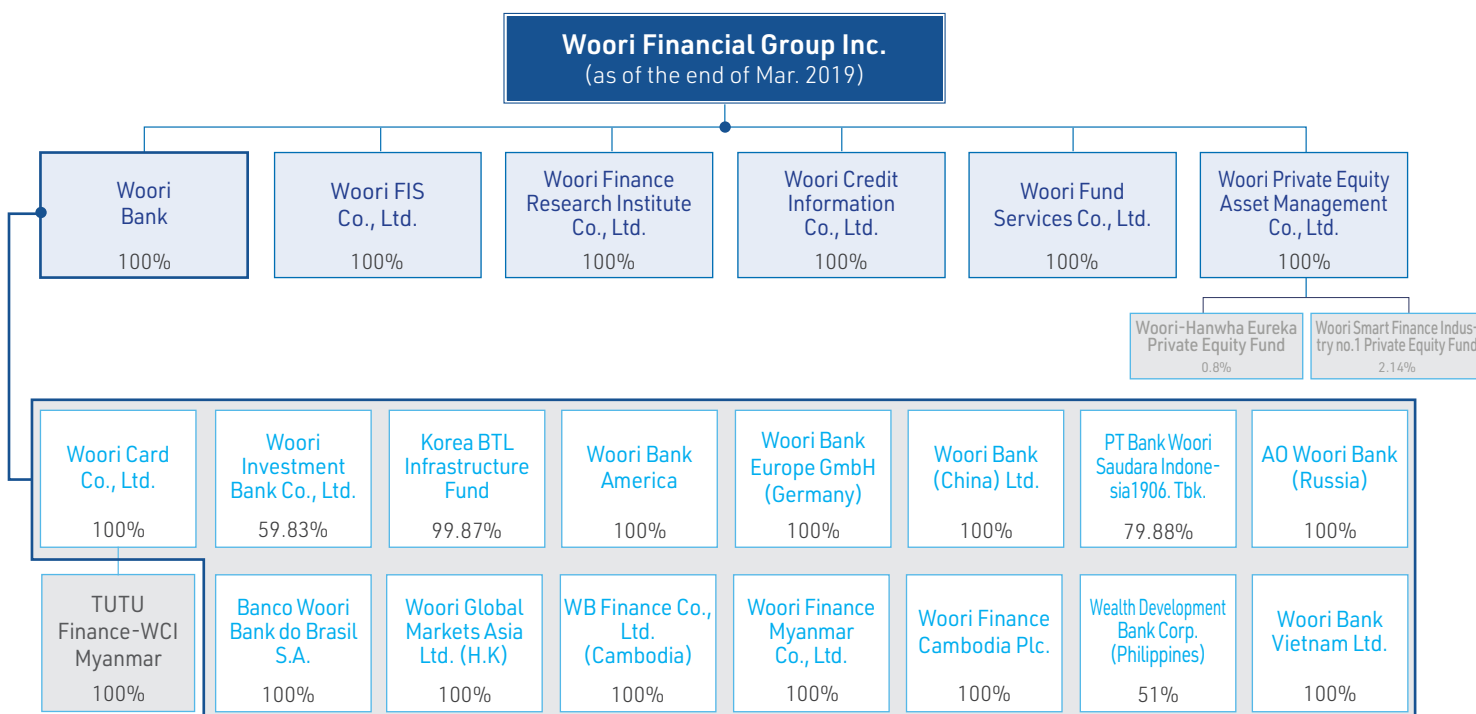
The KDIC launched this auction process by selling its Woori Bank stake, starting with a public note of sale on August 24, 2016. On September 23, 2016, a total of 18 investors submitted letters of intent with bidding volumes far exceeding the range from 82 percent to 119 percent out of the KDIC's target 30 percent stake.

When the auction closed on November 11, 2016, 8 potential investors submitted bid letters for a total bidding volume of 33.7 percent. The PFOC successfully resolved to sell a 29.7 percent stake to 7 selected bidders. The PFOC's long years of concerted efforts to privatize became a reality, and guaranteed autonomous management by private parties. As a result, on December 16, 2016, the PFOC decided to terminate the Memorandum of Understanding (MOU) between KDIC and Woori Bank, and actively encourage market-driven autonomous management led by oligopolistic shareholders.

Out of 2.97% of the KDIC's stake exempted from the sale and spared for call options for minority stakeholders selected in December 2014, 2.94 percent was exercised by the deadline of December 8, 2017. The remaining equity stake held by the KDIC has remained steady at 18.43 percent as of the end of 2018.

Meanwhile, Woori Bank established Woori Financial Group Inc. in a comprehensive stock transfer scheme on January 11, 2019 to enhance the competitiveness of the bank as a comprehensive financial group and incorporated six companies as subsidiaries. Its six subsidiaries are: Woori Bank, Woori FIS, Woori Finance Research Institute, Woori Credit Information, Woori Fund Services and Woori Private Equity Asset Management. Woori Card and Woori Investment Bank are to be incorporated into the Group as subsidiaries of the holding company in the near future.

The remaining equity stake held by the KDIC is 18.32 percent as of January 11, 2019 as a result of the scheme. Given the need to recover public funds invested, the Korean government intends to continue with the sale of the remaining stake through discussions with the Public Fund Oversight Committee.



AWARDS 2018



The Bank of the Year 2018 in Korea, hosted by The Bankers magazine (Financial Times)



Grand Prize for Maeil Business Newspaper Star Brand (Financial Integration Membership Sector), hosted by Maekyung Media Group



Outstanding Institution for Financial Customer Protection, hosted by Financial Supervisory Service

The Kyunghyang Shinmun

Grand Prize for Kyunghyang Advertisement (Financial Sector), hosted by Kyunghyang Shinmun

세계일보

Grand Prize for Segye Advertisement (Communication Sector), hosted by Segye Daily



The Korea Herald Global Finance Awards 2018 Financier of the Year, hosted by Korea Herald

The Korea Economic Daily

Grand Prize for Financial Customer Protection Awards, hosted by The Korea Economic Daily



Grand Prize for ROK Energy, hosted by Minister of Trade Industry and Energy



Grand Prize for Gender Cooperation, hosted by Maeil Business Newspaper/ Ewha University

Korean Internet Communication Association

The 11th Grand Prize for ROK Social Media (Bank Sector), hosted by Korean Internet Communication Association



Grand Prize for ROK Financial Innovation (CSR Innovation Award), hosted by MoneyToday



The 7th Korea Knowledge Awards for Outstanding Institution (Management Sector), hosted by Maekyung Media Group



Grand Prize for Financial Excellence (Customer Satisfaction Sector), hosted by Asia Today



The Asian Banker Transaction Awards (3 sectors). hosted by The Asian Banker magazine

Economic Review

Best Financial Products 'iTouch Woori Deposit' hosted by Economic Review



Best Korea Brand TOP 50, hosted by Interbrand



Grand Prize for ROK Best Banker (Best Micro-finance Sector), hosted by The Seoul Economic Daily

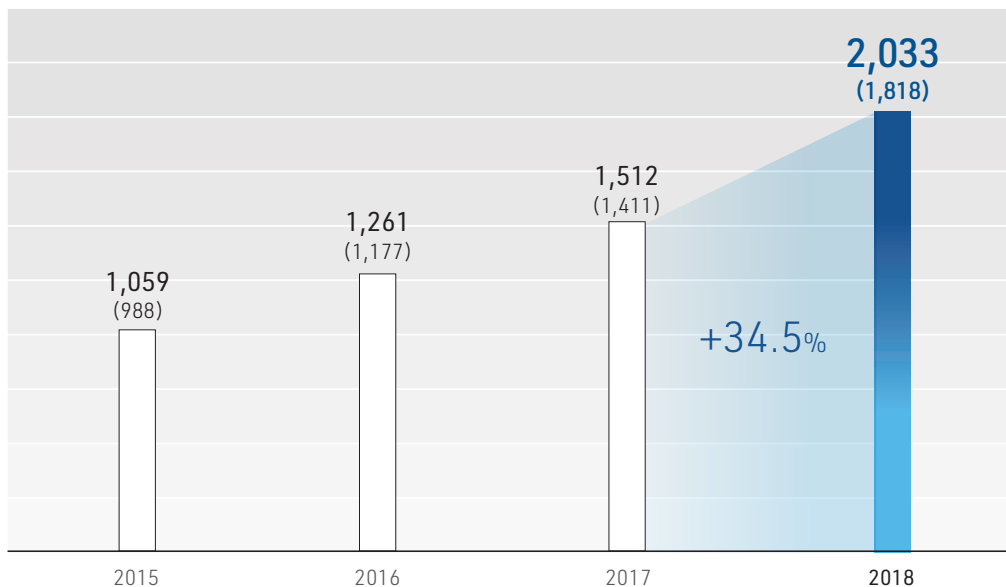


Grand Prize for Customer Satisfactory Management (11 Consecutive Years), hosted by The Korea Economic Daily

FINANCIAL HIGHLIGHTS

Net Income

Unit: Wbn, U\$mn in ()



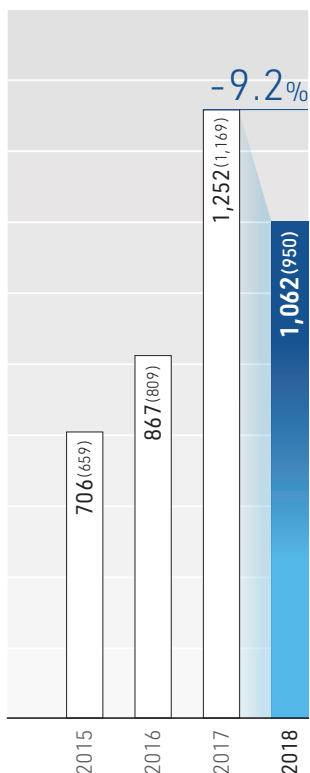
Interest Income

Unit: Wbn, U\$mn in ()



Non Interest Income

Unit: Wbn, U\$mn in ()



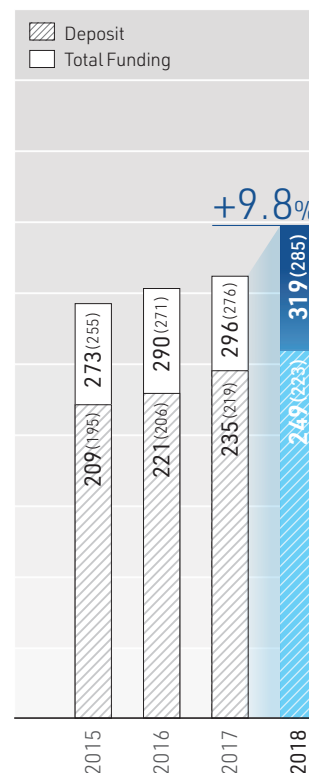
Assets

Unit: Wbn, U\$mn in ()



Funding

Unit: Wbn, U\$mn in ()



* Consolidated Basis, Based on exchange rate of KRW1,118.10/USD as of Dec. 31 2018
Net Income (Continuing Operations) attributable to owners

* Consolidated Basis, Total Assets include Trust Account
Based on exchange rate of KRW1,118.10/USD as of Dec. 31 2018

Dividend

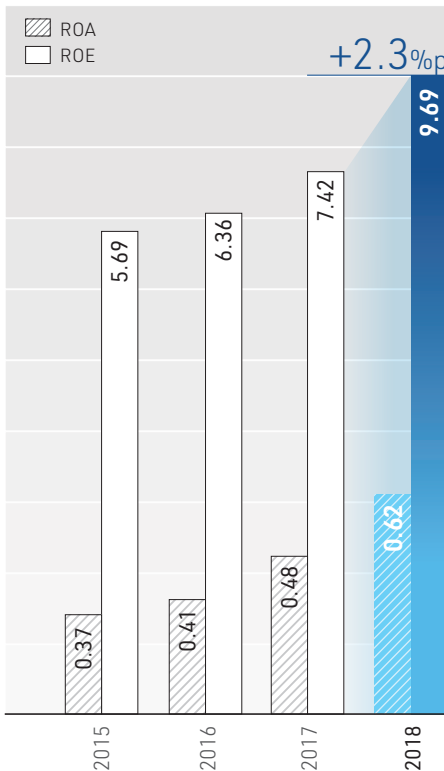
Unit : %

	2017	2018
Dividend per Share (KRW)	600	650
Payout Ratio (%)	26.71	21.52

* 2017 : including the interim dividend 100(KRW)

Profitability (ROA & ROE)

Unit : %

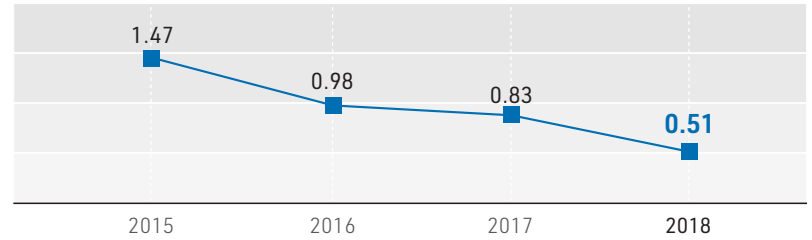


* Consolidated basis

Asset Quality (NPL Ratio)

■ NPL Ratio (Bank)

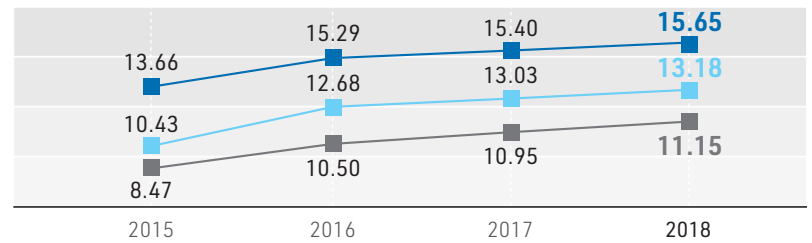
Unit : %



Capital Adequacy

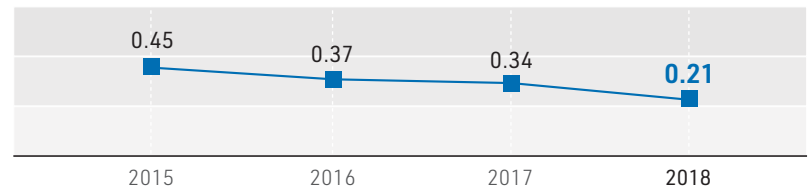
■ BIS Ratio
■ Tier1 Ratio
■ CET1 Ratio

Unit : %



Credit Cost Ratio

Unit : %

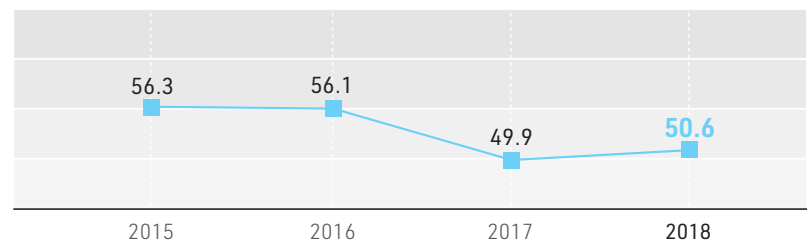


* Consolidated basis Credit Cost Ratio = Credit cost/average Total Credit balance

Cost-to-Income Ratio

■ Cost-to-Income Ratio (excluding ERP Expense)

Unit : %



* Cost-to-income ratio = SG&A expense / (Interest Income + Non-Interest Income)

Business Operations

046	—————	RETAIL BANKING
048	—————	REAL ESTATE FINANCE
050	—————	WEALTH MANAGEMENT
052	—————	CORPORATE BANKING
054	—————	SME BANKING
056	—————	INSTITUTIONAL BANKING
058	—————	GLOBAL BUSINESS
062	—————	INTERNATIONAL TRADE BUSINESS
064	—————	INVESTMENT BANKING
066	—————	TRUST & PENSION BUSINESS

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 financial products and services to our clients.

2018 Performance

In 2018, the number of Woori Bank retail customers is approximately 23.0 million, a number that drives us to do our best in developing innovative and differentiated products. Woori Bank has implemented projects to ensure a broader retail customer base including the Baby Project, the School Project, and the Teens Future Dream Project, presenting diverse financial products and services by life stage: products designed for infants, students, employees, homemakers and senior citizens presented using targeted marketing by customer segment. In addition to the launch of life-stage branded products, we aim to secure more customers who use Woori Bank as their primary bank.

This is why we have concluded new prime power loan (PPL) agreements for the employees of businesses with prime credit ratings and also handled loans related to employee stock ownership plans (ESOP) for companies going public with initial public offerings (IPO). We have measures in place to enable customers to handle banking transactions without the constraints of time or place: the Tablet Branch as a tool for out-bounding banking services to reach out to customers, and the WiBee Smart Branch allows automated WiBee Smart Kiosks to handle transactions. All of these services are part of our commitment to put customer satisfaction first.

Launching 'Twenty Woori' as a Youth Brand for attracting Young Customers (aged 10~30's)

Woori Bank launched 'Twenty Woori' a brand to attract future young generation customers aged 10~30's in 2018. We established the image of a 'young bank' with products and services that are preferred by those in their 20s, while engaging with the concerns faced by youths who face difficulties as job seekers and the gloomy younger generation that has given up on essentials like marriage and finding a job, and fulfilling the bank's social responsibilities to support youthful dreams.



Twenty Woori Installment Savings is a product exclusively designed for those aged 18 through 30 and has grabbed attention by providing a maximum interest rate of 3.7 percent to support young people as they build their asset portfolio and organizes overseas trips for university students to celebrate product launches. In addition, Woori Bank sponsors a pool of university student ambassadors to promote the Twenty Woori brand, continuously exploring areas of interest and the latest trends among university students, and conducting marketing to boost communication. A pool of 60 university student ambassadors for Twenty Woori is at the center of promoting Woori Bank through social media. They are promoting awareness of Woori Bank by producing videos and posters, etc. for the bank's participation in major events and its major products.

Woori Bank is a 'Bank that Understands Youth, Supports their Dreams, and Stands by the Younger Generation like a Truly Caring Friend'



Emblem of Twenty Woori



Poster for Twenty Woori Installment Savings



Poster used for recruiting university student ambassadors for Twenty Woori

A New Product Lineup by Life Stage Brand Strategy, aiming to attract New Customers and make Woori Bank the Primary Banking Partner for existing Customers

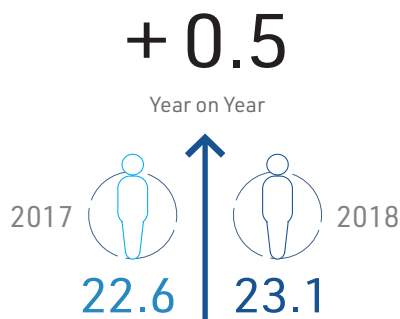
Besides the marketing of Twenty Woori targeting customers aged 10 ~ 30's, Woori Bank provides customized products and services under our life-stage brand strategy so that we can attract new customers and encourage existing customers to make Woori Bank their primary banking partner. Our products are designed for target groups such as teenagers, college students, employees, and senior citizens at retirement age, and are tailored to match the generational needs and benefits preferred by each group.

We held the 'Woori Children's Happy Future Event' so that Woori Bank could be the first bank used by kids by offering installment savings and housing subscription products for infants and providing vouchers upon the purchase of insurance products. We also launched 'Woori Magic Installment Savings' for students in vocational high schools, and provided products with high-interest rates to vocational school graduates that land jobs after high school graduation.

For full-time workers, we launched an installment savings product focused on travel by reflecting the increased interest in travel, and high interest rates and diverse affiliated services to customers through a bank-card company-airline-duty free shop alliance. We also raised product competitiveness by remodeling existing auto loan products and enhanced our sales capabilities by aligning our strategies with dealer/alliance platform companies. This has led to higher sales of auto finance loans associated with new and used car purchases, and contributed to lower financial costs because we allowed customers from other capital firms to repay existing financial obligations at low interest rates.

Total Customers of Retail Banking

[Unit: million customers]



Loans/Deposits Performance-based : Managerial Accounting-based

Total Loans of Retail Banking

[Unit: KRW trillion]



Total Deposits of Retail Banking

[Unit: KRW trillion]



Optimized and Efficient Distribution Channel Networks

Responding to the changing financial environment, Woori Bank quickly entered into areas with increased demand for financial services, including newly developed areas, major commercial zones and newly growing areas. The bank also merged or relocated branches in areas with lower commercial profitability and those with overlapping geographical coverage. While six new branches opened, five were merged, and 13 were relocated; as of the end of 2018, a total of 877 branches are in operation. Establishing an effective branch network improved our profitability. To boost competitiveness in our sales organization through a highly effective channel strategy, the bank continues to operate Dedicated Branches for Retail Banking. This specialized retail distribution channel strengthened our sales competencies in the individual retail business.

With this move, we also built a distribution system under which financial centers can concentrate on corporate business, and dedicated branches can focus on retail. We also run a Total Consulting Team as an integrated window, while separating the windows for corporate banking and consultations, respectively, in order to raise efficiency in personnel management and competencies.

2019 Plans

In 2019, as we mark the 120th anniversary of Woori Bank, we plan to implement a project to attract more target customers by conducting projects to establish a corporate image focused on history and youthfulness.

For the Twenty Woori brand, we plan to raise the brand recognition of Woori Bank and launch related products under sponsorship contracts (2019~2020) for the League of Legends Champions Korea - which is a popular gaming trend among young customers. The brand ambassadors' marketing via social media is likely to become even more successful when we initiate our heritage marketing campaign to celebrate the bank's 120th anniversary. In addition, we will launch a business unit targeting seniors to attract senior customers as Korea becomes a society defined by low birth rates and population aging, and establish an 'online platform' providing exclusive package products and encompassing both finance and areas of interest for the elderly. We will also open 'Senior Centers' by leveraging unused space to support diverse programs for seniors, and contribute to projects that promote job creation for seniors through partnerships with related institutions. Furthermore, we will continue to play a role as the No.1 bank that stands alongside customers by allocating efficient services in the field of microfinance, especially in financially underprivileged areas, while, on the channel side, pursuing the optimization of branches by type, in consideration of the financial scale, characteristics and customer profile of each region.

Real Estate Finance



In 2013, for the systematic and professional management of real estate financing, Woori Bank enlarged the Housing Finance Division into the Real Estate Finance Business Unit, which was later renamed the Real Estate Finance Business Group. The Group also manages the Ministry of Land, Infrastructure and Transport's National Housing and Urban Fund (NHUF) as the managing custodian (formerly general treasury) bank. Our goal is to satisfy the diverse needs of our customers— hence we provide not only products that complement Woori Bank accounts but also NHUF products available for low-income individuals and families.

2018 Performance

In 2018, the Real Estate Finance Business Group once again became the undisputed leader in terms of NHUF market share. Woori Bank has been the managing custodian bank of the NHUF for the past ten years, and a wide range of housing finance products have showcased the Bank's distinguished business performance.

Consequently, Woori Bank was selected again as the managing custodian bank for the NHUF in January 2018, as the bank in charge of business delegated by the NHUF for the next five years.

We also took the initiative to pioneer the domestic housing finance product market by ensuring preemptive responses to market changes in accordance with government policies.

Increase in Customer Base as the Managing Custodian Bank for the NHUF

The NHUF business is critical to broaden financing options for the demand side of housing finance, including for low-income individuals and families. As the managing custodian bank, Woori Bank is in charge of financing and dispersing funds. In 2018, the bank accounted for a market share of 40.9 percent in loans to the demand-side and a market share of 26 percent in housing subscription savings plans by providing a diverse range of housing finance products even after its reselection as the managing custodian bank for the NHUF.

Throughout the year, one million new customers subscribed to housing subscription savings plans designed to enable them to own a new residence in the future. We will work hard to build a solid foundation for this business so that a greater number of customers will be able to take advantage of NHUF products offered through Woori Bank.

Leading Korea's Digital Financial Market by Upgrading the Total Real Estate Information Platform

The Real Estate Finance Business Group has taken the lead in transforming the non-face-to-face digital housing finance market by upgrading 'WiBee Homes,' our customer-friendly real estate information platform as well as ensuring preemptive responses





to changes in the financial environment in 2018. After the launch of 'WiBee Homes' (a total real estate information platform) in January 2018, Woori Bank has moved ahead in the mobile real estate market by actively developing a diverse range of content and services in order to provide a real estate platform environment that is convenient for customers.

2019 Plans

We intend to maintain our number one position in terms of NHUF market share in 2019, and will do our best in our role as the managing custodian bank for the NHUF so that customers can enjoy the funds' benefits with greater ease. We will focus on loan plans for the demand-side, which has shown a recent increase, including Jeonse (Key Money) Deposits, Monthly Rental Loan Plans and the Beotimmok (Support) Jeonse Deposit Loan Plans.

At the same time, we will focus on attracting more customers to our housing subscription savings plans. Building on our experience, expertise, and IT system in financing and managing funds, we will provide active support for housing welfare projects for low-income individuals and families and take action to revitalize Korea's national housing market and help make it more transparent.

We will also participate in government measures to provide support in the form of housing funds for non-speculative home buyers and establish asset portfolios that will ensure balanced asset growth, optimal profitability, and minimum risk.

To that end, we will expand the volume of mortgage loans by KRW 2 trillion in 2019 to serve as a solid foundation that protects the assets of Woori Bank customers. 2019 will be the year in which we utilize our diverse and customized services to lead the real estate finance market.

Demand-side Housing Subscription Loans (M/S)

[Unit: %]



Housing Subscription Savings Plans (M/S)

[Unit: %]



Wealth Management



The Wealth Management (WM) Group oversees not only services for Private Banking (PB) customers but also the bank-wide asset management business including services for corporate customers. The WM Group consists of 11 teams under three departments (the WM Strategy Department, WM Business Department, and WM Advisory Center). The WM Group manages bank-wide assets, devises business strategies for PB customers, and suggests bank-wide house-views. The group also nurtures a specialized workforce for asset management, establishes non-face-to-face channel asset management strategies and runs the required systems. The WM Business Department selects fund and bancassurance products, fosters marketing strategies, develops products for investment, selects related products, and conducts follow-up management. The WM Advisory Center provides tax consulting, real estate advisory services and specialized consultations for high-net-worth (HNW) customers of Woori Bank. As of the end of 2018, the WM Group manages a total of 723 WM distribution channels. 744 private bankers, financial advisors (FAs), and sales professionals deliver comprehensive asset management and consulting services to HNW customers through an independent PB brand called 'Two Chairs.'

2018 Performance

Performance of Affiliate Products (Funds and Bancassurance)

We ranked No.1 in net fund value, sales volume of bancassurance and income in 2018. In the fund sector, in particular, the balance increased by KRW 1.7 trillion thanks to the launch of new market-leading products (532 private equity funds and 74 publicly offered funds, etc.) and targeted marketing, which was the highest increase rate among competing banks. In the bancassurance sector, Woori Bank accounted for 38.9 percent of the total market share among Korea's four major commercial banks by diversifying its portfolio based on product competitiveness, thus enhancing its position as the leading bancassurance provider.

Developing a Specialized Workforce and Strengthening Competencies in Asset Management

Woori Bank provides significant support and investment to foster a specialized workforce for asset management. We provide customized PB/FA training based on the straightforward CDP, and nurture next-generation personnel at the early stage through public competitions. In 2018, we launched new courses affiliated with external institutions and conducted high-level training to boost the competitiveness of our specialized workforce. Having adopted Woori Bank's exclusive PB branch manager scheme, we disseminate customer management techniques from outstanding senior colleagues and sales coaching to business sites.

Expanding the Customer Base

At the core of the WM business is our base of PB customers. In 2018, Woori Bank newly attracted 13,000 PB customers, which is the highest increase rate (7.1 percent) among Korean commercial banks. This is the result of wide-ranging business support for new PB customers as well as marketing that targets CEOs through collaboration between PBs/FAs and SME relationship managers (RMs).



Ranked No.1 among Commercial Banks, Dedicated Management of Customer Returns

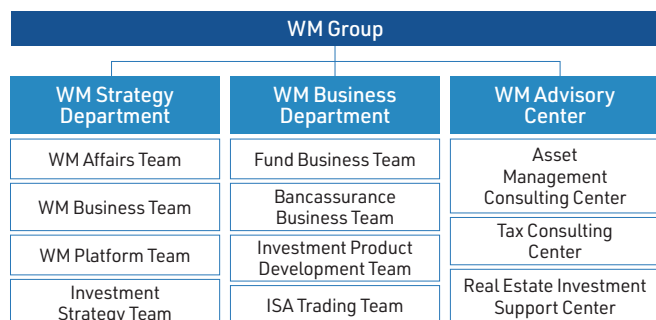
We launched the Investment Strategy Team under the WM Strategy Department to focus on customer-oriented business activities in 2018. We established a bank-wide house-view based on detailed market research by recruiting numerous specialists. Moreover,



we intensified product and market monitoring by appointing asset management risk managers. We reflect returns for customers in our evaluations of branches and PBs/FAs and periodically award high-performing employees in order to promote the importance of customer returns at business sites. Woori Bank has achieved high customers returns amid volatility in the market due to global issues in 2018 and recorded the best performance among Korean commercial banks.

2019 Plans

The Wealth Management (WM) Group of Woori Bank will take off as the leading player in the market by taking preemptive measures to safeguard its customers, business sites and preparedness for the future. Woori Bank will rise higher as a financial group by carrying over the history and traditions cultivated over the past 120 years in the field of asset management. First, we plan to gradually expand the Two Chairs (TC) Premium Centers to wealthy districts to provide high-quality asset management services to HNW customers. The TC Premium Centers



Wealth Management Business Team: Changes in team nomenclature and roles (from 2019)
Investment Strategy Team: Newly launched (in 2018)

offer wide-ranging solutions in one location with not only excellent PBs but also tax and real estate specialists. The centers plan to cater to the diverse needs of PB customers by launching exclusive products and providing differentiated services. Second, we plan to nurture a specialized workforce for asset management, equipped with best-in-class competencies. We also plan to run intensive development courses aligned with specialized external institutions. We will foster best-in-class specialists in Korea by offering high-quality courses through the Korea Financial Investment Association. Third, we will expand our asset management business beyond Korea. We will support local business operations and expand our customer base by organizing diverse investment seminars for Koreans living abroad and local residents through full utilization of our global channels. Lastly, we plan to dominate the non-face-to-face channel asset management market by upgrading the rebalancing features and improving customer convenience through the sophisticated robot advisors launched in 2017 to help every customer build their asset portfolio.

Fund Sales Status (as of December-end, 2018)

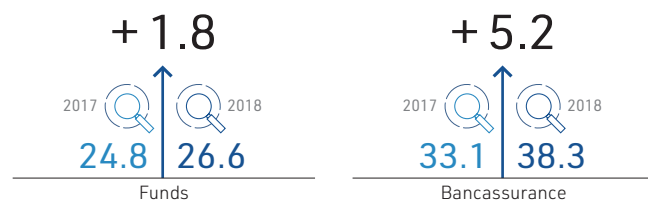
[Unit: KRW trillion]



Variation in Market Share for Affiliate Products

[Based on the rated balance, Unit: %]

[Based on the amount of monthly installment conversion, Unit: %]



Corporate Banking



The Corporate Banking Business Group oversees services for corporate customers including some of the biggest Korean corporate groups such as Samsung, LG, and POSCO. As of the end of 2018, Woori Bank has primary banking partnerships with the largest number of corporate clients among all Korean banks. The two major forces driving the Corporate Banking Business Group are our general managers of corporate banking branch and banking center. The general managers of corporate banking branch have driven Woori Bank to become the best in class in Korea, the general managers of corporate banking center have supported the affiliate and partner companies of our corporate customers while taking care of retail banking targeting officers and employees at associated firms. Thanks to these competent managers, the Corporate Banking Business Group can satisfy the varying needs of our corporate clientele. Our corporate customers have grown into major global players over the past 119 years, and we are very proud to have been their chosen financial service provider. Today, we are doing our best to offer the expertise we have gained over the years to a wider customer base.

2018 Performance

In 2018, the Corporate Banking Business Group maintained its number one market share in loans as the main creditor, producing results worthy of the title of Korea's strongest corporate banking service provider. Woori Bank also hosts the Woori Diamond Club, a social gathering where the CEOs of our large corporate customers meet. It serves as an effective channel for us to figure out different market needs in advance and strengthen customer relations. As great emphasis is being placed on corporate social responsibility today, we strive to develop products that will help companies survive and prosper together and to build a financial culture through which we can help each other. As of the end of 2018, the Corporate Banking Business Group (including Corporate Finance Centers) is managing a total of KRW 22.8 trillion in assets, with an operating income of KRW 746.2 billion, and an export/import volume of USD 312.3 billion.

Strengthening Relationship on a Continual Basis

As our corporate customers turn into major global players, their financial needs are changing in a rapid and diverse manner. In 2003, Woori Bank started the Woori Diamond Club as a social gathering for the CEOs of our corporate customers. Celebrating its 16th anniversary this year, the club acts as a channel for us to strengthen customer relationships and understand the financial needs of our customers at the right time so that we can respond in advance to the rapidly changing environment for financial services.

Supporting '*Sangsaeng*' (mutual growth) for Large Companies and SMEs

The Korean word '*sangsaeng*' refers to mutual life-giving symbiosis, as well as helping and sharing prosperity with each other. As the emphasis on corporate social responsibility grows, Woori Bank is committed to fulfilling its role as a corporate citizen, offering *sangsaeng* product packages in which we enter into business agreements with large corporate customers and provide loans with



low interest rates to SMEs. In 2008, we launched the *Sangsaeng* Loan for Partners of Large Companies; as of the end of 2018, we have extended a total of KRW 725.0 billion in loans to 2,516 firms through this product.



In 2013, we developed the Woori Sangsaeng Partner Loan, a loan package for settlements, and upgraded the relevant system later in 2015; as of the end of 2018, we offered a total of KRW 540.1 billion in loans to 6,207 companies. Woori Bank has the largest number of big corporate customers in Korea, and this wide client network enables us to manage a system of sangsaeng financing to encourage mutual aid, for example by reducing financial costs for SMEs. We thus contribute to the co-prosperity and growth of big companies and SMEs using our comprehensive network.

Expanding Global Business Alignment

We have intensified support for global collaboration by increasing the volume of deposits and loans in local subsidiaries of affiliates in order to help them to explore untapped markets abroad as well as to do business in Korea. As a result of collecting and providing information on overseas branches and offices by setting up a global database and enabling employees abroad to engage in integrated marketing, we attracted approximately KRW 2.85 billion in global deposits and loans in 2018. This has significantly contributed to raising overseas performance and income. For instance, we played a leading role in attracting interest income of about KRW 3 billion via overseas branches including Woori Global Markets Asia Limited and income from arrangement fees of KRW 1 billion by arranging the issuance of floating rate notes (FRN) valued at USD 100 million. As such, the Corporate Banking Business Group serves as the basis for generating new income in Woori Bank by proactively contributing to the growth of Woori Bank in the global market.

2019 Plans

The Corporate Banking Business Group will establish a stronger basis for corporate finance by establishing a new corporate culture under its business goal of '2019 Corporate Finance: New Challenges! New Records'. To this end, first, we will develop new income sources and specialized products in a bid to dramatically increase non-interest income ('Profit Maximization!'); and second, we will digitalize the business process through more robust corporate digital finance marketing and the utilization of big data for corporate finance ('Digital Innovation!').

Lastly, we plan to transform the A/C overseen by the Corporate Banking Headquarters and systematize CDP management for personnel without requiring sales expertise for higher efficiency in corporate banking units. Moreover, we plan to reinforce product competencies and improve the performance management system to raise our sales capabilities and drive.

Woori Bank is the Major Creditor Bank for 10 Large Enterprises

(Total number of Large Enterprises under Main Creditor Bank management: 31 as of 14th May, 2018)



SME Banking



The Small and Medium Corporate Banking (SME Banking) Business Group oversees financial services for SME clients. As of the end of 2018, it manages KRW 84.3 trillion in loans and KRW 53.0 trillion in deposits for 1.58 million customers consisting of individual entrepreneurs, SMEs, and high-potential enterprises. To maintain satisfaction levels among SME banking customers, we provide competitive products and various financial and non-financial services. Moreover, we foster and manage SME relationship managers (RMs), SOHO RMs and next-generation SME RMs. These experts in SME financing and asset management deliver top-notch financial services and content to our clients.

2018 Performance

We saw an increase of approximately 100,000 individual entrepreneurs, SMEs and high-potential enterprises amongst our clientele in 2018. Potentially non-performing assets decreased by KRW 1.9 trillion and increased by KRW 5.7 trillion, raising the performing asset rate to 83.3% and drastically improving asset soundness. Our marketing strategy concentrated on the acquisition of strong SMEs and retention. In 2018, we followed up on our 2017 strategic targets such as policy financing, and guaranteed loans. Simultaneously, we stressed cross-selling in order to lock in customers and maximize profits. We also implemented various loyalty programs in order to offer better services and increase SME customer satisfaction. Another area of focus for us included training and fostering in-house SME experts.

Marketing Activities targeting with SMEs with High Growth Potential

In 2018, we maintained our focus from the previous year to provide marketing information to help branches appeal to SMEs with high creditworthiness by providing them with information on targets by product and customer and information on the corporate partners of large companies. We have allocated pre-approved credit lines to attract SMEs & MEs with high creditworthiness, and strengthened site-oriented business support based on a list of companies selected by each branch. As the SME Banking Business Group pursued a marketing strategy to increase assets of high creditworthiness, the size of loans to corporate customers with high credit ratings (BBB and above) grew by KRW 5.7 trillion by the end of 2018.



Concentration on Technology Financing & Reinforcing Growth Potential

To attract additional high creditworthy tech-savvy companies, the target audience of the Woori R&D Plus Loan was expanded. In 2018, we launched the 'Woori Industrial Technology Growth Loan,' to provide expanded support for outstanding companies in the fields of R&D and innovative growth endorsed by the Ministry of Industry, Commerce and Energy. Through continued support with preferential interest rates for companies receiving benefits related to tech financing and improvements to the tech credit bureau (TCB) system, we saw an increase of about KRW 3.7 trillion in low-cost deposits and an additional 5,000 borrowers (as of 2018-end) compared to the end of 2017. In 2018, we also saw an increase of 100,000 customers and KRW 1.4 trillion in low-cost deposits, which reinforced our profitability and loan growth potential.

Productive Financing and Inclusive Financing in Action

To continuously prioritize productive financing in action, we formed new partnerships with credit guarantee organizations, local governments, and public institutions. Also, we strengthened our interest rate competitiveness through policy financing and provided diverse job training programs to sales staff. Meanwhile, we increased our special contribution to the Korea Credit Guarantee Fund and the Korea Technology Finance Corporation, and provided intensive support for new and promising SMEs, companies that create jobs and those leading the fourth industrial revolution based on partnership guarantees. We also suggested a new paradigm in



financial support by extending direct investment of about KRW 20 billion through public competitions open to companies with innovative growth potential for the first time in the financial sector in 2018. We also provide customized policy financing for individual entrepreneurs and small business owners through special contributions and agreements with 16 regional guarantee foundations. We also worked with the Yellow Umbrella Mutual Aid Foundation to provide a stable social safety network and entered into a contract with the Ministry of Employment and Labor to expand support measures for social enterprises. As such, we are continuously engaged in programs to strengthen inclusive financing.

Diversified Special Products

We reinforced support for outstanding companies with innovative growth by launching the 'Woori Industrial Technology Growth Loan.' We also extended specialized financial support for SMEs that contribute to job creation by remodeling the 'Woori Cube Loan' and 'Power Bank-book Loan for Woori Affiliated Stores' and launching 'SME Installment Savings for Creation of Good Jobs.' Furthermore, we started the 'BC 365 Deposit Service' which enables early deposits of card payments for small/low-yield affiliated business operators through a business agreement with BC Card for the first time in the financial sector.

Retaining Customers & Offering Top Consulting Services

Amid the fierce competition among all banks, Woori Bank maintains customer loyalty programs and supportive consulting services to meet the varying needs of customers with a competitive leadership stance in the corporate consulting area. Our loyalty programs offer benefits for member companies and long-term customers, including support for family events (weddings, funerals, etc.) and

staff training. With these programs, Woori Bank is doing its best to fulfill its duty as a true financial partner. The corporate consulting services offered by Woori Bank are the ultimate culmination of experience and expertise gained in the Korean banking sector. We have assorted programs for companies that do business with us, covering management consulting, CFO consulting, family business succession consulting, operations consulting, tax consulting, and many more. In 2018 alone, we completed a total of 100 consulting projects, demonstrating our competitive edge in this area.

2019 Plans

In 2019, the Small & Medium Corporate Banking Business Group plans to provide systematic financial support from the start up stage to scale up through implementing differentiated marketing strategies for each stage of SME growth. We will also spearhead 'productive financing' and 'inclusive financing' so that customers and the bank can grow together. To this end, we will expand preferential support for each financial asset and business type to attract new companies, startups and venture businesses by strengthening agreements with policy institutions. We will also launch specialized products to support a more diverse group of SME customers ranging from small business owners to corporations with high creditworthiness. We plan to focus on providing customized services to additional enterprises or corporations with high potential of becoming our high yield customers and improve the skills of our sales professionals, thus will intensively expand our foundation for profit generation by providing detailed & comprehensive financial services. Finally, we will take preemptive measures to manage potentially non-performing assets and become the number one trusted bank in the SME banking sector.

Institutional Banking



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

Finally, the newly established National Pension Department will take over and carry out business related to Korea's largest public pension, since Woori Bank was selected as the primary bank for the National Pension Service (NPS) that manages the world's third-largest pension scheme. The Institutional Banking Business Group is the first in the Korean banking sector to establish an institutional banking specialist pool (institutional customer RMs), providing first-class financial services to institutional customers. As of 2018, our institutional customers include the Seoul Metropolitan Government, the Ministry of Land, Infrastructure and Transport, the Korea Land & Housing Corporation, the NPS, the Korea Railroad Corporation, and many more. Our clientele list positions us as the primary bank for the largest number of public institutions in Korea.

2018 Performance

The Institutional Banking Business Group has a strong foundation built on Woori Bank's expertise gained from 103 years of managing the Seoul Metropolitan Government's treasury. Based on such management know-how, we are broadening our transactions with government institutions, local governments, and major public agencies. Wherever our client institutions may be, we have reached out to the local community through various corporate social responsibility programs and established Woori Bank as a financial institution that stands by local communities. In 2018, Woori Bank was selected as the primary banking partner by the National Pension Service, the world's third largest pension fund in size, and will be managing a total of KRW 600 trillion of funds for three years starting in March 2018. In 2018, Woori Bank acted as the primary bank for 105 public institutions out of 338 Korean public institutions designated by the Ministry of Strategy and Finance.

As of the end of 2018, the Institutional Banking Business Group is managing a total of KRW 31.2 trillion in deposits and KRW 0.87 trillion in loans as part of its institutional business. In addition, we have built banking relationships with 4,900 institutions.

Providing Optimal Financial Solutions for Project Execution by the Government and Public Institutions

We manage a specialized workforce for systems under Institutional Banking Products & Marketing to effectively support the policies and projects of the government and policy institutions, through which we provide optimal financial solutions for the execution of public projects. We contributed to the timely initiation of projects by promptly developing and providing a firm banking system for



the Korea Workers' Compensation & Welfare Service, an institution for policy implementation as part of the government's new project related to job market stabilization in 2018. We contributed to the expansion of the market for new and renewable energies by advancing the systems as an exclusive bank for the REC trading system and by offering settlement services to Korea Power Exchange where sellers and buyers of new and renewable energies can engage in direct transactions/settlements.



Maximizing Synergies within the Bank through Transactions by Institutional Customers

The Institutional Banking Business Group not only provides direct financial services to institutional customers but also explores and provides opportunities for business alignment to SMEs and individuals related to institutional projects. Woori Bank was designated as one of exclusive banks for the Real-time Cash Management System(RCMS) of Ministry of Trade, Industry and Energy, and also for the research fund management system (Ezbaro) of the Ministry of Science and ICT in 2018. That is why we provide comprehensive financial services for companies that have been successful in R&D, while managing and executing R&D funds, including those for system operations. We also contributed to the formation of a sound startup ecosystem by not only distributing funds but also providing consulting for and extending loans to startups as the main custodian bank of the startup support and management system of the Korea Institute of Startup and Entrepreneurship Development in order to finance startups.

2019 Plans

In 2019, we intend to provide a system for effective cash management for government and public agencies and develop partnership services related to various budget activities so that we can provide upgraded financial services on a different level as a preferred banking partner for institutional customers. Furthermore, as the primary bank for the largest number of institutions in Korea, we will seek to broaden the range of our financial services so that more employees of public agencies can do business with Woori Bank.

Total Deposits

[Unit: KRW trillion]



 National Pension Service	 Korea Land & Housing Corporation (LH)	 Korea Housing Finance Corporation (HF)
 Ministry of Land, Infrastructure and Transport	 Defense Acquisition Program Administration	 Korea Railroad Corporation
 Korea Electric Power Corporation	 Korea Post	 Korea Exchange
 Korea Workers' Compensation & Welfare Service	 Korea Evaluation Institute of Industrial Technology (KEIT)	 Korea Institute of Energy Technology Evaluation & Planning
 Korea Institute of Startup & Entrepreneurship Development	 Korea Institute for Advancement of Technology	 Agency for Defense Development

Global Business



Woori Bank recorded substantial external growth on a global scale thanks to a string of strategies in 2018: 'continuously expanding its overseas network with a focus on Southeast Asia and diversifying its non-banking portfolio', 'accelerating qualitative overseas growth', 'upgrading digital competencies' and 'reinforcing compliance and internal controls.' We solidified our local business infrastructure in Southeast Asia through continued network expansion focusing on regional hubs such as Indonesia and Vietnam, etc. as well as with the acquisition of WB Finance in June 2018. We also established our European subsidiary in Frankfurt, Germany in November 2018, completing a European financial belt connecting the UK - Germany (Western Europe) - Poland (Eastern Europe) - Russia. As such, we currently operate 430 global networks in 26 countries, the largest global presence of any Korean commercial bank and continually strengthened the basis for global growth. By accelerating qualitative growth based on global network expansion, the external scale-up of mostly high-quality assets, and adoption of business strategies which reflect the local characteristics of each branch, Woori Bank recorded a current net income of USD 176 million, up 23.1 percent from the previous year. We also boosted our global digital competencies by setting up tablet branches, adopting a biome-

tric mobile OTP system and signing agreements with promising local fintech companies, especially in strategic retail branches/subsidiaries such as our Indonesian and Vietnamese subsidiaries and Dhaka Branch. We also launched and expanded overseas business units related to compliance and internal controls to respond to ever-stronger compliance requirements, and established a system for organic cooperation with related departments at the head office.

2018 Performance

Expanding Our Overseas Network

2018 was a year to reaffirm the status of Woori Bank on a global scale - a global leading bank - by opening our 430th overseas branch, a first for a Korean commercial bank. Woori Bank started to go global by opening its first overseas branch in November 1968 in Tokyo, becoming the first Korean commercial bank to do so. Since this first step, our interest in international markets has never faltered. In 2014, we became the 1st Korean bank to acquire a globally listed bank (in Indonesia), subsequently launching Bank Woori Saudara.



In 2016, we acquired a local Philippine savings bank, and we are in the process of expanding it in collaboration with our partner, the Vicsal Group, adding synergy to the business. In June 2018, Woori Bank acquired WB Finance, a savings bank in Cambodia, expanding its business coverage throughout Cambodia. We also launched Woori Bank Europe, paving the way for entry into the European market in November. Woori Bank maintains 430 overseas networks in 26 countries, the largest network of any Korean commercial bank as of 2018-end.



Completed the Acquisition of WB Finance (June 2018)

By acquiring a local savings bank that operates a nationwide network throughout Cambodia, Woori Bank scaled up its market share. We plan to provide differentiated comprehensive financial services through conversion into a commercial bank over the mid and long term.

Provision of a Gateway for Advancing into the EU Market through the Launch of 'Woori Bank Europe' (November 2018)

Woori Bank established its very own 'European Financial Belt' (the UK – Germany – Poland – Russia) while launching a local subsidiary in Germany in November 2018 in order to establish a gateway for the bank in the EU. The German subsidiary plans to fulfill its role as a 'European FX Center by preemptively catering to demand from Korean and local companies for loans, joining the euro payment and settlement system, and providing ex/import services that target the European market/remittance services.

Opening of Five New Branches at Woori Bank Vietnam (December 2018)

Woori Bank Vietnam acquired the relevant permit and approval from the State Bank of Vietnam to open six branches - the Thai Nguyen Branch, Haiphong Branch and Ha Nam Branch in the northern region of Vietnam and Dong Nai Branch, Binh Duong Branch and Phu My Hung Transaction Office in the south – opening five new branches in 2018. Woori Bank Vietnam strengthened its local business competitiveness by expanding its network steadily

and launching new products. Woori Bank Vietnam is taking steps to grow into the No. 1 foreign bank in Vietnam by reaffirming its profit structure through localization.

Accelerating Qualitative Growth Overseas

As a result of focusing on external growth while targeting high-quality core assets including loans and securities to achieve accelerated qualitative growth, NIM improved by 0.12%p from 1.79 percent in 2017 to 1.91 percent in 2018, and current net income went up by 23.1 percent from USD 143 million in 2017 to USD 176 million in 2018. Moreover, we reinforced our global business competencies based on a two-track strategy: localization for local subsidiaries and CIB business-driven approaches for branches. Local subsidiaries expanded their market dominance through proactive localization strategies such as introducing localized product line-ups and revitalizing the retail business. For branches in advanced economies, we implemented growth strategies that focus on the development of CIB-specialized branches by reinforcing our competitiveness in corporate finance, IB and FX products.

Expanding the Global Digital Business Infrastructure

We expanded the reach of non-face-to-face channels and revitalized alliances with local fintech companies in order to respond to global financial trends as digital banking becomes the norm and to overcome the limitations of offline business channels. We provided diverse non-face-to-face channel services including loan (consultations) applications and e-wallet top-up services by

promoting our mobile banking services that first launched in 2017 to most overseas branches in 2018. We launched direct banking services enabling accounts to be opened following non-face-to-face authentication procedures by combining mobile banking with facial recognition technologies in China. We also provided a mobile OTP service enabling mobile phone-based authentication by replacing physical OTPs in Vietnam and India.

We improved business efficiency and customer convenience by adopting services to enable the opening of accounts without having to visit a bank branch by verifying e-ID cards via tablet PCs – another non-face-to-face channel – in Indonesia.

We also significantly expanded the coverage of service operations through thriving alliances with promising local fintech companies. We launched utility payment services via the Internet and mobile banking by partnering with VNPAY, a local payment gateway company in Vietnam which has 8,000 affiliated merchants. We also launched an online loan application service by aligning with Lendr, a platform company for loan mediation in the Philippines. Moreover, we plan to release a range of customized products for local subsidiaries in Southeast Asia including loan/deposit products exclusively for drivers of Grab in 2019 by signing an MOU with Grab, the largest ride hailing company in Southeast Asia.

Improving Asset Soundness at Overseas Branches

We managed asset soundness indicators successfully in a challenging environment at home and abroad, by taking into consideration the likelihood of another global financial crisis and the continued increase of assets at overseas branches.

We made concerted efforts to enhance comprehensive risk management by strengthening review competencies in Southeast Asia through the launch of the Asia Credit Analysis & Approval Center,



checking for signs of failure in advance by upgrading the monitoring system with new software and running periodic on-site coaching programs to beef up business competencies at overseas branches. As a consequence, the NPL ratio improved by 0.33%p from 0.76 percent in 2017 to 0.43 percent in 2018, and the delinquency rate fell by 0.09%p from 0.65% in 2017 to 0.56% in 2018.

Intensifying Compliance and Internal Controls

Amid increased regulatory standards imposed by local financial authorities, we upgraded the money laundering/sanction filtering system and year-round monitoring system. We boosted competencies in the field of compliance by sharing weaknesses and reviewing support from the head office through weekly meetings of the 'Global Compliance Working-Level Committee' which invited participation by related departments in the head office. Moreover, we reinforced internal controls by consulting on issues related to risks and internal controls at overseas branches and by sharing plans for reviews at overseas branches with departments at the head office through monthly meetings of the 'Working-Level Committee for Global Risk Management and Risk Control.'

2019 Plans

The Global Business Group plans to implement overseas projects through the following strategies in 2019: continuously expanding networks in promising regions, accelerating qualitative growth, digitalizing strategic retail branches, intensifying compliance and internal controls and expanding synergies for global collaboration.

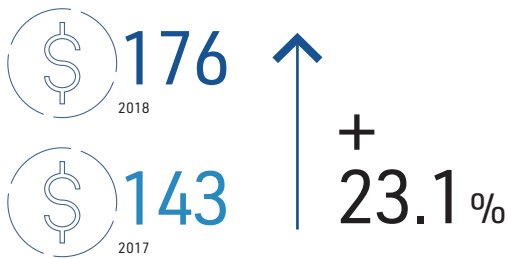
We plan to establish a local subsidiary in India – a future core regional hub – as a part of a network expansion plan in promising regions, and establish a local subsidiary in Mexico to scale up business operations in Latin America. We also plan to launch strategic branches in Hanoi, Ho Chi Minh and Da Nang in Vietnam in order to expand market dominance in promising global markets.

Localized networks will further revitalize localization strategies through diversified business portfolios and expansion of product line-ups catering to customer needs. CIB branches will accelerate qualitative growth centered on high-quality core assets by expanding the number of IB desks and strengthening business capabilities of representative offices. We plan to initiate digitalization of strategic retail networks by expanding non-face-to-face channels and ODS operations to complement networks that are smaller in scale compared to those of major local banks, and launching financial products affiliated with platforms through the adoption of agent banking and business alliances in the non-banking sector.

We also plan to upgrade managerial competencies in global business through stronger internal control of non-banking subsidiaries (in the Philippines/Cambodia/Myanmar), while standardizing compliance competencies to match those of advanced economies to benefit the more stringent requirements of local oversight authorities. Lastly, based on these plans, we endeavor to ensure a "Global Quantum Jump" in 2019 by maximizing synergies through collaboration among subsidiaries within the Woori Financial Group and distinct business groups within the bank.

Net Profit

[Unit: USD million]



NPL Ratio

[Unit: %]



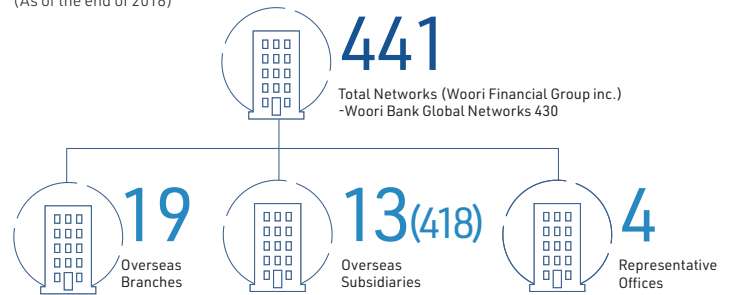
Liquidity Ratio

[Unit: %]

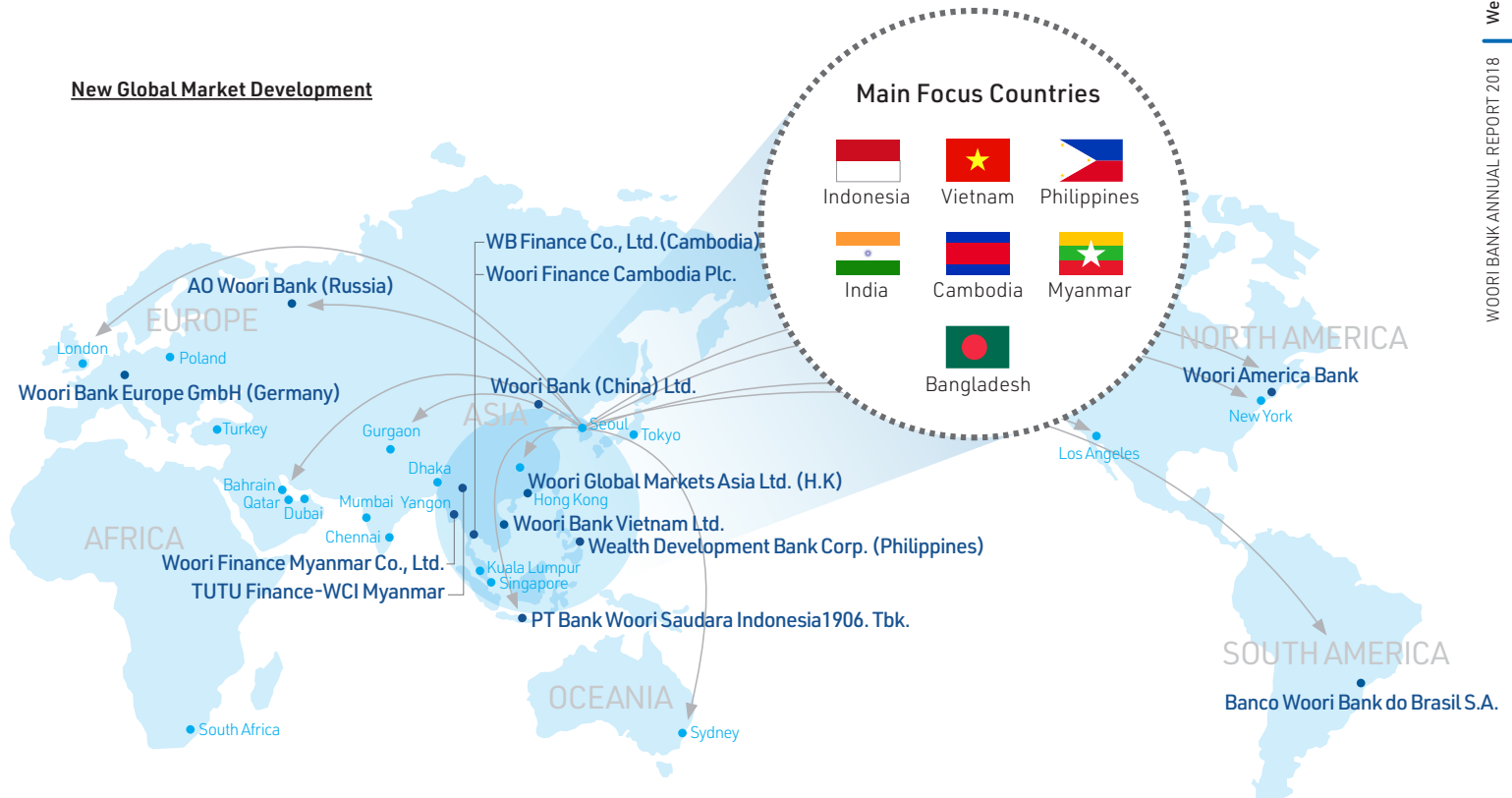


Global Networks

(As of the end of 2018)



New Global Market Development



- Woori Bank (China) Ltd. 21
- AO Woori Bank (Russia) 3
- Woori Bank Vietnam Ltd. 8
- Wealth Development Bank Corp. (Philippines) 25
- Woori Finance Myanmar Co., Ltd. 38
- TUTU Finance-WCI Myanmar 11
- PT Bank Woori Saudara Indonesia 1906. Tbk. 157
- Woori Finance Cambodia Plc. 20
- Woori America Bank 24
- Banco Woori Bank do Brasil S.A. 2
- Woori Global Markets Asia Ltd. (H.K) 1
- WB Finance Co., Ltd. (Cambodia) 107
- Woori Bank Europe GmbH (Germany) 1

International Trade Business



The International Trade Business Group is in charge of establishing the marketing strategy for foreign exchange (FX) services, supporting branch offices, and developing products for Woori Bank. We manage the International Trade Service Center, which is a one-stop center for FX operations that offers rapid and efficient support, the Foreign Customer Banking Business Department to establish marketing strategies and extend business support for foreigner residents of Korea, and the Global Investment Center, which is responsible for foreign direct investment (FDI), unstructured escrow and overseas capital transactions, etc. Based on our expertise and people, we excel in a wide range of businesses including domestic and international export/import financing, consulting for overseas investment, and retail. By doing what we do, we generate non-interest income for Woori Bank and enhance our bank's image as a global player.

2018 Performance

In 2018, Woori Bank reported outstanding performance in export/import financing, FX, and international remittances, clearly overshadowing its competitors by taking advantage of competitive FX products, services, and the superior FX competencies of our employees. We handled USD 369.7 billion in export/import financing, USD 4.3 billion in FX (cash basis), and USD 146.1 billion in international remittances. These results ensured Woori Bank enjoyed the highest FX market share in all areas among major commercial Korean banks. In terms of income, we achieved the highest FX non-interest profits ever, amounting to KRW 323.9 billion or an increase of KRW 7.3 bil-

lion compared to 2017. We secured a sustainable business model by attracting 1.175 million customers to our foreign customer business.

Woori Bank provides rapid money brokerage services by operating the Woori Clearing System (WCS), which is our FX settlement system with leading domestic and international financial institutions as its members. We have also acted as the primary bank in charge of FX transactions for more than 120 public institutions, including Korean



central and local governments, the Defense Acquisition Program Administration, and the Public Procurement Service. In April 2016, Woori Bank was selected as the first South Korean bank to offer won currency clearance services in China, handling the clearance and settlement in Korean won, performing the job of a market maker, and eventually establishing ourselves as the global transaction banking leader for the Korean won. The International Trade Business Group's outstanding business performance in 2018 is the result of implementing a successful business model geared toward FX 4.0, which is about strengthening profitability and synergy according to our four business goals of enhancing profitability, promoting employee competencies, securing product competitiveness, and expanding strategic partnerships. The Group will continue to concentrate on developing new growth engines and improving business infrastructure.

Exploring New Income Sources – Expanding the Foreign Customer Business and Capital Transactions

Results of Business Performance

[Unit: USD billion, %]
[Among the four major Korean banks]

Category	Results	Market share
Export financing	205.5	36.6
Import financing	164.1	34.7
Export/Import financing	369.7	35.7
FX (cash)	4.3	27.8
International remittances	146.1	22.3

(FX) Non-Interest Income

[Unit: KRW million]

Category	2018	2017	Change
	331,170	323,894	7,276↑

Business Aimed at Foreign Customers

In 2018, Woori Bank stood at the forefront of attracting new foreign customers by signing agreements with several international student associations in Korea and related organizations and expanding channels for foreign customers. As a consequence, Woori Bank positioned itself as a bank with over 1 million foreign customers by attracting 159,000 new foreign customers over the year, totaling 1.175 million on an accrued basis as of 2018-end.

Marketing for Foreign Students Studying in Korea by Signing Agreements with the International Students Association and Related Organizations

Woori Bank signed agreements with several international student associations in Korea and related organizations to strengthen our business competitiveness in terms of foreign customers. Since Chinese and Vietnamese students represent the majority of international students studying in Korea, we conducted marketing for international students on major university campuses by signing a group agreement with their respective student associations. We also partnered with the Korean Immigration Service Foundation that handles civil affairs on behalf of the Ministry of Justice and acquired some students as customers through this partnership. By doing so, we reinforced partnerships with organizations that serve foreign nationals in Korea and laid the foundation for becoming a more foreigner-friendly bank. As a result, Woori Bank attracted 159,000 new customers in 2018, which is approximately 30,000 more compared to the previous year.

Channel Expansion for Foreign Customers

The Foreign Customer Banking Business Department opened a Foreign Customer Banking Centers in Daerim-dong in Seoul in January 2019, followed by one in Gimpo in December 2018. These two new centers, in addition to existing centers in Ansan, Gimhae and Uijeongbu, focus on marketing efforts targeting foreign customers. The Foreign Customer Banking Centers hire foreign staff to make our customers feel more comfortable, and also offer religious and cultural facilities including prayer rooms, thus raising customer satisfaction levels. Moreover, we have seven branches that open on Sundays for foreign workers and have expanded the number of such branches in Pyeongtaek, and established a business network for foreigners nationwide by operating foreigner-exclusive desks in areas with a high density of foreigners in Daegu, Gwangju and Changwon, among other areas.

Global Investment Center

FDI/Capital Transactions

Through the Global Investment Center in charge of FDI/capital transactions marketing, the International Trade Business Group provided support for major foreign investors and companies to enter the Korean market based on abundant experience and expertise related to FDI, and served as an investment partner. As a consequence, Woori Bank was ranked number one in market share in the domestic FDI market by attracting investments of USD 3,436 million, up 15 percent compared to 2017. The Global Investment Center designates and runs specialized

branches with FDI desks and expertise in attracting capital transactions, while providing differentiated services by departmentalizing and specializing operations. The International Trade Business Group will make concerted efforts to ensure the highest competitiveness in the capital transaction market through the Global Investment Center, an exclusive unit for attracting capital transactions and providing advisory services.

Escrow/Public Interest Project Immigrant Investor Scheme

The Global Investment Center provides escrow services including stable management of capital, creation of transaction structures and support for contract documentation as a neutral third party for specific contracts (M&A, capital management and current transactions) among contractual parties. In addition, Woori Bank serves as the designated bank for money transfers for the public interest project immigrant investor scheme designated by the Ministry of Justice. This designation enables the Global Investment Center to provide total one-stop services to foreign investors to acquire permanent resident status in conjunction with the Immigration Office of the Ministry of Justice, thus enhancing customer convenience.

2019 Plans

In 2019, the International Trade Business Group will improve FX products and processes by leveraging new technologies of the Industry 4.0 in order to digitalize the entire FX operations. This will raise customer satisfaction and business efficiency as Woori Bank does the utmost to become a leading bank for FX catered to the rapidly changing external environment.

In 2019, the International Trade Business Group will revitalize its image as a specialized bank for foreigners by improving services related to insurance products in order to become a trustworthy financial partner. Furthermore, we will develop financial products and services suitable for foreign customers so that they can conveniently remit funds to their home countries. We will attract new high-yield customers continuously by strengthening partnerships with related institutions for foreigners as we did in 2018, and ensure we become the No.1 player in foreign customer marketing by continuing to handle issuance of the multicultural financial voucher program.

Moreover, we will develop and market products aligned with escrow services and FDI to expand business operations related to inbound capital transactions including FDI. We will also lead the market by exploring new income sources in new markets through the development of escrow products for tax payments related to securities purchases and sales. In 2019, the International Trade Business Group will do its utmost to increase customer satisfaction by offering optimized FX services through the adoption of new Industry 4.0 technologies, adapting to the rapidly changing external environment.

Investment Banking



Woori Bank's Investment Banking Business Group consists of two departments - the Investment Finance Department and the Project Finance Department - and 11 teams: M&A Team 1, M&A Team 2, Equity Investment Team, Global Finance Team, Innovative Development and Finance Team, Infrastructure Finance Team under the Project Finance Department, Structured Finance Team, Power and Energy Team and Real Estate Finance Team.

As a traditionally strong player in corporate finance, Woori Bank has expanded its core IB business including in the fields of high-yield equity investments, and M&A acquisition finance/power generation/infrastructure arrangements. We broadened our business scope through global networks and IB desks. In October 2006, we opened Woori Global Markets Asia Ltd. in Hong Kong and became Korea's first financial institution to establish a business unit to specialize in overseas IB. Global IB desks have been part of the bank's strategy since Jun 2017. Additional IB desks were set up and are in operation on a pilot scale in Vietnam and India beginning in the latter half of 2018. We continue to generate opportunities for IB business at home and abroad through our expanded global network.

2018 Performance

Woori Bank's Investment Banking Business Group has increased its non-interest income by intensifying its financial arrangements involving power generation/infrastructure projects as well as M&A finance. The group has expanded its overseas business by boosting operations at existing global IB desks and adding new ones.

Woori Bank was ranked first among Korean commercial banks in arranging M&A finance and recorded outstanding growth in global IB assets and income by managing the largest number of global IB desks. This has enabled the IB Group to generate income exceeding KRW 200 billion in 2018.

We also expanded preemptive investments in future cash cows, while expanding high-yield investments through closer ties with global top-tier asset management companies, increasing high-yield assets by entering the fields of aircraft financing, overseas infrastructure/power generation projects, and maximizing short-term income through large-scale structured finance and issuance of FRNs aligned with Woori Global Markets Asia Ltd. in Hong Kong.

We have started to provide support for investments and loans targeting companies with innovative growth potential, while forming a financial ecosystem for innovative government growth initiatives by launching an Innovation Development Team for the first time among Korean commercial banks as of the end of 2018. We also plan to expand direct/indirect development/support on a continual basis.



2019 Plans

2019 will be the year for further growth with the establishment of Woori Financial Group. We plan to implement more robust business operations with a focus on 'creating a business structure led by non-interest income' and 'strengthening drivers for new global growth' under the business goal of providing 'global IB that leads future finance.'

We launched the Real Estate Investment Finance Team at the end of 2018, expanding into business areas such as real estate PF, real estate-backed syndication loans and real estate-related equity in-



vestments. We plan to newly set up the M&A Team 2 and the Global Infrastructure Team to diversify income sources in February 2019, thus scaling up participation in arrangements and engagement in overseas M&A finance, investment in special situations, and arrangement of overseas infrastructure, power generation/energy projects.

In 2019, Woori Bank's Investment Banking Business Group will continue to grow its asset portfolio and income by seeking out new projects for the IB Business Group involving financial arrangement, high-yield investments and expansion of global projects.

Lastly, the Investment Banking Business Group is preparing for the introduction of a CIB system at the soon-to-be-completed financial group by reinforcing its CIB business based on collaboration with oligopolistic shareholders in the fields of securities, insurance and asset management as well as with departments within the bank at a time when the group does not yet have a full-fledged asset management company or securities firm.



Awards and Prizes

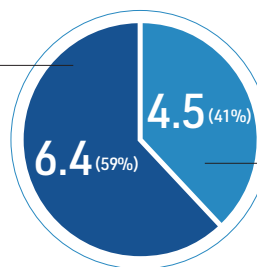
Award in Acquisition Finance at the 10th Korea IB Award by the Korea Economic Daily (Feb. 22, 2019)

Total Assets of Investment Banking Operations in 2018

[Unit: KRW trillion]

Balance Sheet Assets

Loans **3.0** (28%)
Securities **3.4** (31%)



Total Assets **10.9** (100%)

Off-balance Sheet Assets

Loan Commitments, etc. **4.1** (38%)
Payment Guarantees **0.4** (3%)

Trust & Pension Business



The Trust and Pension Business Group is leading the market with successful business models that continually meets customer asset management needs, keeping up with a radically changing market environment. Sales of trust products such as equity-linked trusts (ELT) have continued to grow, as the Trust and Pension Business Group plays a leading role in driving the bank's overall non-interest rate income. We take the lead in managing the precious assets of our customers by suggesting customer-centered investment strategies with new product launches and diverse product lineups. In a growing retirement pension market, we provide support for the post-retirement lifestyles of retail customers and efficient asset management of retirement pensions for corporate customers.

We offer differentiated customized services through comprehensive consulting services to customers for retirement pensions, from the early stage of introducing retirement pension schemes for companies. We employ experienced investment experts utilizing advanced methods at Woori Bank, based on which we can manage customized products that are optimal for customers' investment needs as part of our total financial services platform, thereby leading the

retirement pension market. We have a broad range of experience in the custody agent business gained from transactions with our diverse clientele consisting of 120 entities or so, including major institutional clients in Korea's securities custody services market as well as asset management companies. Taking advantage of our experience, we will provide custodian asset management services that allow us to take preemptive action in the face of market changes.

2018 Performance

Trust Department

Woori Bank's Trust Department scaled itself up through customized strategies by setting 'continued growth and profit-making in the trust business' as its business goal. In addition, we concentrated on system configuration and leveraging our expertise in order to gain competitiveness in the trust business with potentially high-growth potential. We established the 'trust asset management system' to provide comprehensive asset management services including customer advisory services, asset management guidelines and follow-up management measures. We also shared our asset management and product design competencies with our entire branch network, whereby asset management experts including analysts and fund/portfolio managers offer advice. As a result, we have promoted ELT, and ETF as core trust products. To expand our business in the future, we have developed customer-focused investment strategies by launching new products with timely market insight, and building up our product line-up. With ELT, our sales result in 2018 reached KRW 12,133 billion, or 142% growth year on year. We then developed new products and diversified underlying assets across diverse portfolios so that we can manage assets according to market conditions and individual customer needs.

Retirement Pension Business Department

Since retirement pension schemes were introduced to the market, Woori Bank implemented a customer-centric strategy with a long-term perspective to help customers enjoy a stable retirement and to cope with labor market changes such as Korea's rapidly aging society. We publish a monthly 'Happy Life Retirement Pension Newsletter' which covers major retirement pension issues, recent trends, asset management information, and everyday life tips. For retirement pension customers who are still employed, we provide information on retirement savings and asset management performance through the Internet or mobile banking via the Happy Life Retirement Pension Lifetime Account. These services enable our customers to manage



the retirement savings in their accounts with ease. We also streamlined document processing by providing integrated information on pensions for IRB subscribers (a data scrapping service) and highlighted the importance of raising customer yield rates by expanding our lineup of TDFs. We also launched a Retirement Pension Business Team, reducing the workload for branches and raising customer satisfaction.

Trustee & Custody Department

Expanding our Client Base by Diversifying Assets Under Custody and Attracting New Customers

We successfully undertook a project to develop systems for new businesses and upgrade our custody operations system, following successful bids for institutional clients. We diversified assets under custody by attracting insurance companies (KRW 8.4 trillion -> KRW 24.1 trillion), hedge funds (KRW 3 trillion -> KRW 4.2 trillion) and the largest REITs in the financial sector, driven by our outstanding industry-leading business expertise. We also raised the volume of assets under custody by expanding our clientele through the signing of new contracts with institutional customers and eight other firms including insurers and asset management companies.

2019 Plans

Trust Department

The 2019 business goal for the Trust & Pension Business Group is to 'Dominate the Trust & Pension Market.' This goal means that we intend to become the number one bank in terms of increased trust market share. Accordingly, we plan to differentiate marketing sup-

port and continue to improve and further develop our core products. With ELT, our core product, we will generate profits through balanced growth between high-yield products and low-yield products, based on stable structure. We also plan to promote ETFs as a key asset management product for customers. To achieve our goals, we plan to have asset management functions in place to cope with a variety of fluctuations in the financial market while making our products globally relevant. Hence, we will upgrade our trust asset management system and risk management system.

Retirement Pension Department

As Korea becomes a super-aged society, the importance of the retirement market is increasingly highlighted in the banking industry. That is why Woori Bank has selected retirement pensions as a core growth business and has decided to carry out active marketing campaigns to secure a stable customer and profit base over the long-term. In 2019, the Retirement Pension Business Department will secure growth through differentiated marketing by managing assets and raising convenience levels for each customer, and continue to focus on higher efficiency in business channels along with higher customer yield through stronger product management capabilities. We will continue to lead the retirement pension market using our expert human resource pool, training support system, diverse products, professional asset management competencies, and a unique retirement planning service platform.

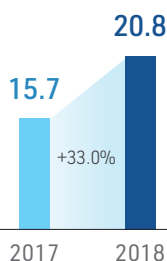
Trustee & Custody Department

Profitability-Driven Qualitative Growth by Strengthening Growth Competencies in Each Asset Category

Woori Bank will dominate the fiduciary management market for public and private funds by establishing a cooperative system with asset management companies in the external fiduciary management market based on many years of experience in custody operations for pension funds affiliated with the National Pension Service and the Ministry of Land, Infrastructure and Transport. We will also pave the way for growth as a global custodian bank by increasing our market share based on integrated management of the assets of insurance companies. We will lead the asset custody market by scaling up the portion of high-yield assets in custody, inclusive of hedge funds assets and alternative assets.

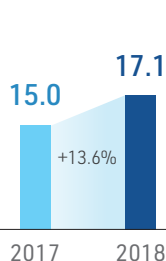
Money in Trust

[Unit: KRW trillion]



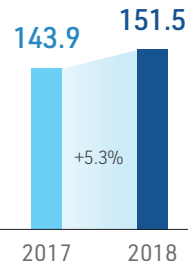
Retirement Pension Assets

[Unit: KRW trillion]



Assets under Custody

[Unit: KRW trillion]



**Business
Support
/
Social
Responsibility**

070	—————	EMPLOYEE SATISFACTION
073	—————	FINANCIAL MARKET BUSINESS
076	—————	DIGITAL BANKING
079	—————	IT SUPPORT
080	—————	INFORMATION SECURITY
082	—————	RISK MANAGEMENT
084	—————	CONSUMER PROTECTION
086	—————	SOCIAL CONTRIBUTION ACTIVITIES
089	—————	WOORI SMILE MICROCREDIT
090	—————	ETHICAL & COMPLIANCE MANAGEMENT
092	—————	ANTI -MONEY LAUNDERING

Employee Satisfaction



Woori Bank believes that a workplace where employees are happy is a necessary foundation to be able to provide the best services to our customers. This led to the setup of the Employee Satisfaction Center in 2007, and since then, the Center has been developing and implementing diverse programs to improve employee satisfaction. We are expanding our programs to improve employee satisfaction because we believe that satisfied employees feel a strong sense of ownership and voluntarily strive to make customers happy.

2018 Performance

Wibee Basketball Team, Winners of Both the Regular Season and the Championship Title for the Past Six Years Consecutively Woori Bank beat the Incheon Shinhan Bank S-Birds with a score of 78-50 in the 7th round of the '2017~2018 Women's Korean Basketball League (WKBL) Regular League' held at Yi Sun-sin Stadium on March 4. This has enabled Woori Bank to win six consecutive season titles in the regular league. Woori Bank WiBee, thus, ties Shinhan Bank's title of the six-straight-season wins with 29 wins and 6 losses (a winning rate of 82.9 percent) in the 2018 regular season. Woori Bank Wibee broke a new record in its history with the first-ever V10 in the WKBL and six consecutive wins by winning the regular league this season, thanks to its employees' passionate cheers, head coach Wie Sung-woo's outstanding tactics, and the players' tireless mental strength.

Implementing Programs for Greater Employee Satisfaction

Woori Bank offers original and interesting programs to boost employee satisfaction. In 2018, we offered various programs to help employees meet their cultural needs and build networks. A program to help our employees take care of their physical and mental health, and another offered program is the Special Lectures on Culture, which encourages them to discover and enjoy new hobbies. Among our existing programs, we continue to offer those that have been the most popular among our employees, including the family getaway initiative Oh! Happy Woori and the psychological counseling program to help employees deal with feelings of insecurity or with family issues. Through these efforts, we strive to not only encourage communication and fun but also support our employees in resolving any personal problems. We are doing our best to implement Woori Bank's core belief, that the happiness of our employees and their families is the core foundation of the bank's competitiveness.

Oh! Happy Woori

Oh! Happy Woori is a family getaway program that began in July 2011 based on the idea that happy families are the very source of employee satisfaction. Employees and their families can participate in our seasonal experience programs to spend time with their families and refresh themselves physically and mentally. Last year,





the program offered such experiences as Understanding Constellations, visiting Pocheon Herb Island, Korea Job World, My Mother's Family, and Korea Job World & a Taekwondo Program at the Kukkiwon. For seasonal trips, we offered the programs Together for Spring Flowers and Together in Autumn, designed to offer happy experiences for our employees and their spouses, reinforcing employee loyalty. Oh! Happy Woori events are held every month with a high participation rate from our employees, and this has become the most preferred and sought after program among all our offers. The program allows our employees an opportunity to have a great time with family and be reminded of how important family is—something that can be easily neglected when people are too focused on work.

Using the Head Office Auditorium as a Free Wedding Venue

Woori Bank rents out the auditorium at its head office building as a wedding venue for employees, free of charge. The location has been praised by our employees for its spaciousness, the ample amount of time allowed for the ceremony, and its refined decorations. The venue features a gorgeous bridal room, a separate room to perform the traditional Korean wedding ceremony known as pyebaek, and a newly renovated cafeteria for the wedding banquet. The CEO's official vehicle is also made available as the wedding getaway car. A total of 693 newlywed couples walked down the aisle in this auditorium between 2012 and 2016. Its popularity continued in 2017 and 2018, with an additional 180 pairs and 150 couples getting married there in each year respectively. The benefit of

this free wedding venue offer is twofold: it not only helps our employees save on wedding costs but also boosts the sense of pride our employees feel in Woori Bank.

Benefits Offered in 2018

There are cases of employees who struggle psychologically due to family issues. Woori Bank supports struggling employees and their families by making reservations and paying for psychological and legal counseling services so that our staff are able to focus on their work with renewed energy. In addition to external counseling services, we have an in-house counselor who offers, upon request, psychological tests, counseling visits, and lectures at branches. We also have experience programs to help employees manage stress and recover mentally, such as one-day meditation courses, temple stays, and healing herbal programs.

Branch Workshop Support

We offer team-building workshops for employees outside the head office through outdoor activities, including zip-line rides, glamping, yacht rides, all-terrain vehicle (ATV) racing, and outdoor survival games. The high employee participation rate proves the popularity of these programs. By taking part in the workshops together, employees create synergy as they get the opportunity to communicate with each other freely and hence cooperate better at work after the experience. In 2017, we hosted the Woori Pop Star event, a talent show in which employees could show off their talents and passion. In 2018, we organized the Woori Family Talk! Healing Concert in

five cities (Daejeon, Changwon, Daegu, Gwangju, Busan) and created an atmosphere of harmony for our employees. The Employee Satisfaction Center thus launched various programs to make our employees happy and boost sales competencies through communication.

A Day When Woori Meets Culture

This is a support program to encourage participation of cultural activities by our employees and their families. Be it musicals, opera, or classical music, the program responds to the cultural interests of our staff and enriches their leisure time. First launched in 2012, the program made a group purchase for performances like the Little Prince (an opera), Wicked, Dream Girls, 42nd Street (musicals), Bodyguard and Rebecca. In 2018, in order to further boost employee satisfaction, we continued to group ticket purchases for musical performances such as The Flashdance. We thus provided efficient and satisfying forms of support to allow our employees to return to work with greater energy and in better spirits.

Improving 'PC-Off' Policies for Work-Life Balance

The Banking industry has characteristically imposed a work environment that entailed overtime work at night. To improve such conditions, we introduced a work-life balance policy in 2013, which then became established as a part of corporate culture at Woori Bank as most offices and branches came to comply with the policy. The so-called 'PC-Off' deadline is at 19:00 to ensure employees



have time for leisure activities and family life. It also increased efficiency and focus at work, reducing unnecessary overtime where possible. In 2017, we introduced flexible work hours, and we improved the existing PC-Off policy for work-life balance by introducing a PC-Shut-Down function. We will take the initiative in realizing work and life balance for all our employees. We will continue our efforts to increase employee satisfaction with constant on-site monitoring, feedback, and consequent improvement.

Building a Healthy and Vibrant Work Culture

Woori Bank offers annual medical check-ups and blood tests in order to continually and systematically manage the health of our

employees. If any symptoms should be identified after a check-up, we support affected employees with our group accident insurance and the bank's medical fee subsidy scheme to create a healthy and active work culture. Meanwhile, our employees and their families are entitled to book and use the shared condominiums Woori Bank owns all over the country. We also improved our rest and recreation center operations, extending the business hours and opening on weekends so that employees can use the center anytime. These benefits help our employees build a vibrant work culture.

Woori Daycare Center

As part of the government's policy to address the country's low birth rate and actively support working parents, Woori Bank runs a corporate daycare centers in Seoul at Mapo-gu (Happiness Center), Seongdong-gu (Love Center), and Jung-gu (Dodam Center, opened at the Woori Bank head office building in August 2016). In addition to the three existing centers, we opened the fourth center at Bundang, Gyeonggi Province (Saesol Center) in March 2018.

We will continue to open new daycare centers to promote a corporate culture that encourages raising families and do our best to help working parents cope with childcare challenges. Woori Bank would like to ensure that all of our employees are happy and that our happy employees, in turn, will make our customers happy.

Programs to Protect Employees who Interact Directly with Customers

Woori Bank has provided prevention training and psychological treatment since 2017 for employees who interact directly with customers to protect them from verbal and physical violence as well as sexual harassment. We also run programs to preemptively protect employees in the banking sector by distributing 'Woori All Together' guidelines for their protection, putting up posters to increase customer awareness and providing information on employee protection through automated response systems via non-face-to-face channels.

In addition, we strive to address employees' psychological grievances and improve job satisfaction through in-house professional counseling and the Employee Assistance Program (EAP), and run collective programs all-year-round including special lectures and activities in order to reduce work-related stress derived from emotional factors. We have also taken the lead in improving our corporate culture by conducting wide-ranging campaigns to prevent conflicts among employees as well as enhancing legally-mandated compliance training on sexual harassment prevention in the workplace.

Financial Market Business



The Financial Market Business Group consist of the Treasury Department, which manages Woori Bank's liquidity, the Trading Department, which handles FX trading, marketable securities, and financial derivatives, and the Settlement Support Department, which performs back office duties. Woori Bank is the most competitive of all Korean commercial banks in trading derivatives. We lead the market, handling forwards, swaps and options based on a wide range of underlying assets including interest rates, foreign exchange, equities, and commodities.

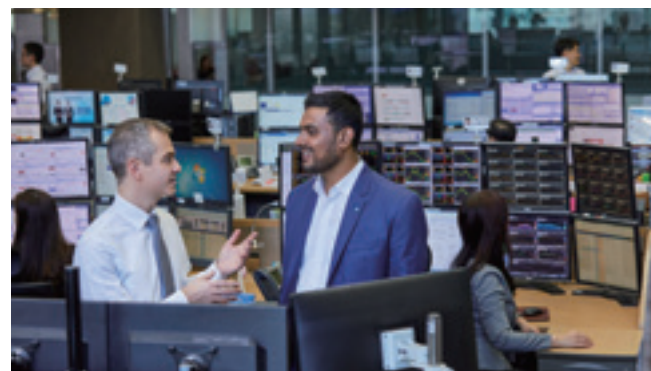
2018 Performance

In charge of major funding and capital management for Woori Bank, the Financial Market Business Group focused on improving profitability and maintaining stable liquidity through efficient funding and capital management. We contributed to enhancing the Bank's profitability by maintaining an optimal loan-to deposit ratio (LDR), diversifying Korean won- and foreign currency-denominated financing, and managing our bond portfolio. We also promoted our capital adequacy and stability in financing by issuing perpetual foreign currency-denominated contingent convertible bonds (CoCos) in the first half and won-denominated CoCos (Tier) in the second half. Consequently, we complied with the Korean regulatory guidelines on liquidity in 2018 at a level well above the liquidity coverage ratio(LCR) (minimum 95%), the foreign currency LCR (minimum 70%), and the mid- and long-term foreign currency financing ratio (minimum 100%). These results contributed to a 0.60 percent increase in the bank-wide BIS ratio. We strengthened our competitiveness in FX and derivatives trading by diversifying trading currencies and managing positions. We also provide equity derivative services that are available through all global trading hours so that our customers can be prepared for risks arising from time zone differences.

Stable Management of Liquidity

Strengthening the minimum standard for LCR and successfully responding to the implementation of NSFR

We secured high-liquidity assets by preemptively increasing deposits, private loans and contingent capital securities in preparation for the new implementation of the NSFR - a mid- and long-



term liquidity index, while raising the minimum standard for LCR by 5%p. As a consequence, we maintained liquidity levels above the regulatory ratio with an LCR of 102 percent and an NSFR of 109 percent on average in 2018.

Issuance of Senior Debt and CoCos (Contingent Convertibles) in Korean Won and Foreign Currencies

The Financial Markets Group established preemptive financing plans, thereby successfully issuing senior debts valued at KRW 4.2



trillion, CoCos in Korean Won of 0.6 trillion (hybrid securities of KRW 0.4 trillion and subordinated securities of KRW 0.2 trillion), senior debts in foreign currencies of USD 450 million and CoCos in foreign currencies (subordinated securities) worth USD 300 million. In terms of hybrid securities denominated in Won, the bank successfully arranged the largest-ever issue valued at KRW 400 billion, despite the limited scale of the issuance market, thus raising the prestige of Woori Bank.

Enhancing Stability with Diversified Financing of Foreign Currency

We issued Formosa Bonds to the tune of USD 300 million by leveraging the dollar liquidity of Taiwanese investors in January 2018, and provided a lower interest rate at issuance compared to other global senior debts, and revitalized the issuance of CD in foreign currencies by utilizing the global CD program. As such, we reinforced stable liquidity management in foreign currencies by diversifying the procurement markets and financial instruments.

- Complying with Korean Regulatory Guidelines -

As of the end of December 2018, we have complied with Korean regulatory guidelines by maintaining 104.08% in the LCR, 106.42% in the foreign currency LCR, and 188.06% in the mid- and long-term foreign currency financing ratio.

Strengthening Competitiveness in FX and Derivatives Business

In 2018, the Financial Market Business Group strengthened its competencies to proactively respond to the volatility of the finan-

cial market and strove to build competitiveness through various measures, including creating profits from new sources.

FX Dealing

In foreign currency dealing, we bolstered our currency forecast capability for both domestic and international markets and realized outstanding trading profits by taking anticipatory and proactive action in response to the fluctuations in international financial markets. In 2018, we accounted for a higher portion of market share (9.05% in USD/KRW, 18.26% in CNY/KRW), playing the role of a leading market maker in Korea.

Derivatives

In the derivatives market, we forecast the trend of market variables such as Korean and international financial policies and changes in demand and supply, which helped us manage our positions one step ahead and establish a secure foundation for derivatives trading. We also offer FX/interest rate risk management consulting and customized 1:1 solutions for SMEs that suffer from a lack of experience and expertise in risk management.

Securities

In securities, we analyzed domestic and international monetary policies and bond markets and efficiently managed bonds increasing both interest and non-interest income. We also diversified our sources of non-interest income by varying and increasing bond lending transactions that receive risk-free charges.



2019 Plans

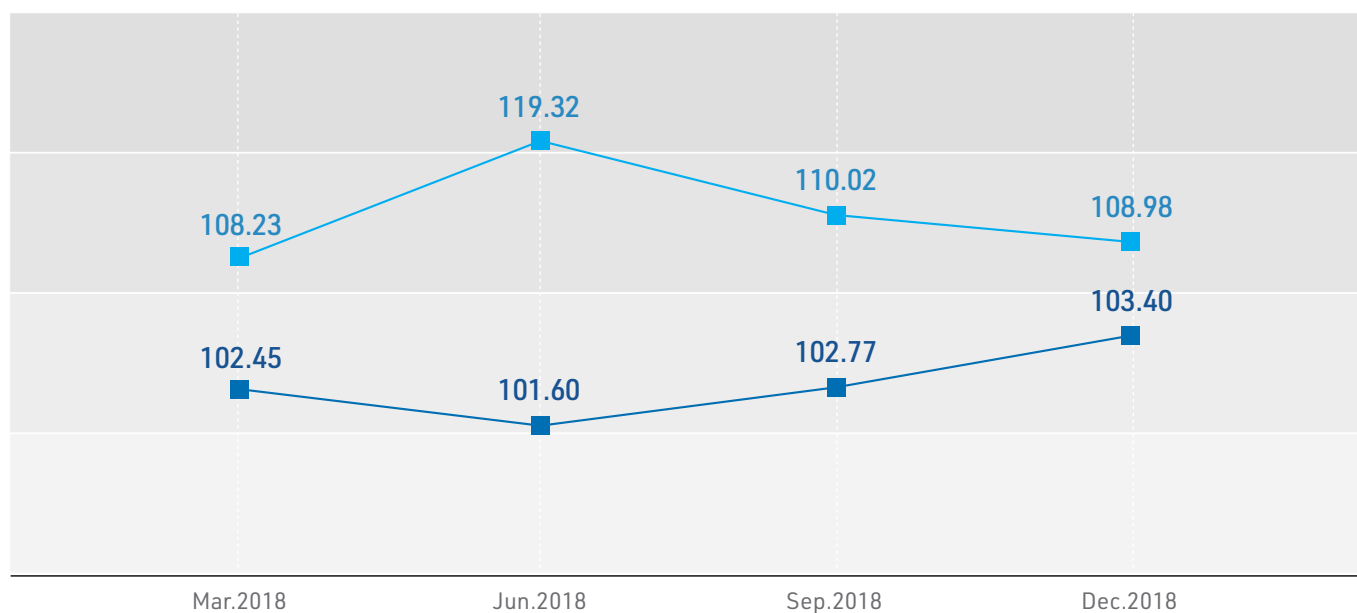
The Financial Markets Group plans to ensure preemptive financing, secure committed lines and strengthen the procurement competencies of overseas branches in order to ensure more stringent control of liquidity amidst the higher volatility of the global financial market. As such, we will maintain bank-wide liquidity levels and raise profitability through better procurement & portfolio management. In trading, we will broaden both our FX and derivatives income by diversifying strategies, such as arbitrage in FX/derivatives

and foreign currency/interest rate hedging in trading. The demand for risk hedging is expected to increase with growing global volatility, and we intend to broaden FX/derivatives trading further by offering the right product at the right time for all of our customers. We also have a dedicated sales team of specialists for securities firms, insurers, government agencies and other financial and public institutions. With the work of our dedicated team, we will continue to acquire exceptional customers and increase our non-interest income.

Liquidity Coverage Ratio

[Unit: %]

- Liquidity Coverage Ratio (All currencies including KRW)
- Liquidity Coverage Ratio (Foreign Currencies)



Digital Banking



Digital competencies have become a core competitiveness for a bank's future survival. Woori Bank has consistently spearheaded bank-wide operations for digital transformation under a strategy that aims to lead digital innovation and conducted digital-focused organizational re-shuffling to respond rapidly to the changing market. Moreover, we intensified our competencies to utilize digital technologies including AI, big data and RPA as core values of a 'customer-oriented approach' and 'enterprise-wide productivity innovation' and transformed mobile banking services into fully-featured financial service offerings as we continuously strive to become an innovative bank.

This year, we will reaffirm our status as a digital leader by implementing 'open finance' systems that create a demand for new services by sharing financial data and channels maintained by the bank and through collaboration with fintech companies.

2018 Performance

Woori Bank selected 16 tasks related to digitalization under the motto that customer value is generated through technology and data in order to commemorate 2018 as the first year of its relaunch as a digitally leading bank. We completed governance upgrades necessary for efficient business operations including the recruitment of specialized leaders (including a Chief Digital Officer (CDO)) with full support from the enterprise-wide digital council and launched the Big Data Center for integrated management and utilization of bank-wide data. We even introduced a task force focused on project bidding in order to establish a corporate culture to encourage flexible thinking and rapid action. Moreover, we have continuously raised profitability by supporting big data-based marketing, completely transforming digital banking by providing customized services and conducting affiliate marketing with strategic top-tier platform companies. WiBee Fintech Lab aims to revitalize the fintech sector as well as discover and foster promising companies that can play a role in steadily expanding the range of opportunities for cooperation between fintech companies and Woori Bank.

Part 1. Implementing Enterprise-Wide Digital Innovation through the Execution of and Support for the Top 16 Tasks for Digitalization

Woori Bank has selected 16 tasks for digitalization in order to become a digitally-native bank that generates customer value based on new digital technologies. By doing so, we aim to lead in digital competitiveness, secure digital competency, and improve our fundamentals.



We have reinforced drivers targeting digital operations while securing differentiated expertise by recruiting an executive-level CDO from outside the bank. We also launched the Big Data Center to establish and utilize bank-wide big data strategies. We have established an integrated CoV system for each channel to be applied to the model used for customer turnover prediction and the model for the prediction of regulatory agency complaints. We also developed digital counseling/business tools that provide customized portfolios to customers, and steadily promoted the digitalization of branch operations by introducing e-document systems. In 2019, we will continue to strive to become a digitally-native bank.



Part 2. Implementing a Two-Track Digital Banking Strategy to Provide Innovative Customer Experiences

Woori Bank is currently revamping the One Touch Retail App and WiBee Bank App as non-face-to-face channels. The One Touch Retail App will fulfil its role as an integrated marketing channel that enhances customer convenience and provides customized services enabling access to all types of financial products and services. The apps will be launched in the first half of 2019 and provide seamless customer experiences online by utilizing new digital technologies, offering an intuitive UI/UX and simplifying the product subscription process.

WiBee Bank is Korea's first mobile-exclusive bank introduced by Woori Bank in May 2015, which will have its core features renewed, with its simple money transfer services and non-face-to-face loan applications witnessing a major transformation. By doing so, we will be able to attract younger customers and offer new fintech services, differentiated from the One Touch Retail Banking app.

Part 3. Conducting Digital Affiliate Marketing to Attract Non-Face-to-Face Digital Channel Customers

Woori Bank has continuously expanded the scope of its financial products and services by aligning with strategic top-tier platform companies.

We have strived to enable customers to experience our convenient financial services via diverse channels by signing partnership

agreements on multiple fronts. To this end, we conducted joint marketing with Korea's representative simple payment platform company to attract customers via non-face-to-face digital channels. Moreover, we have steadily raised the number of non-face-to-face digital customers and product subscribers through data-based customer behavioral analysis and marketing to upgrade and improve our digital marketing efforts.

Part 4. Expanding the Ecosystem for Collaboration with Fintech/ICT Companies

We established the WiBee Fintech Lab in August 2016 to revitalize the fintech ecosystem and explore and nurture promising fintech companies. We provide total services ranging from the provision of office space to fintech companies to patent, legal and consulting services. We organized an incubation program to enhance corporate value with 17 companies as of the end of December 2018.

We also provided opportunities for growth through direct alliances and mutual cooperation with the digital business unit of Woori Bank by developing a loan assessment solution aligned with AI and setting up a crowd funding system jointly with a tenant company in WiBee Fintech Lab. In addition, we have continued to provide opportunities for networking both inside and outside the company as we have periodically organized 'WiBee Fintech Lab Demo Days' to share business performance tips with companies that are nurtured in WiBee Fintech Lab and promote opportunities for cooperation.

2019 Plans

Part 1. Execution of Open Finance Strategies

The Digital Financial Group plans to evolve into a bank-in-bank-type exclusive profit-making group by aiming to establish an open finance-driven development & marketing system in 2019

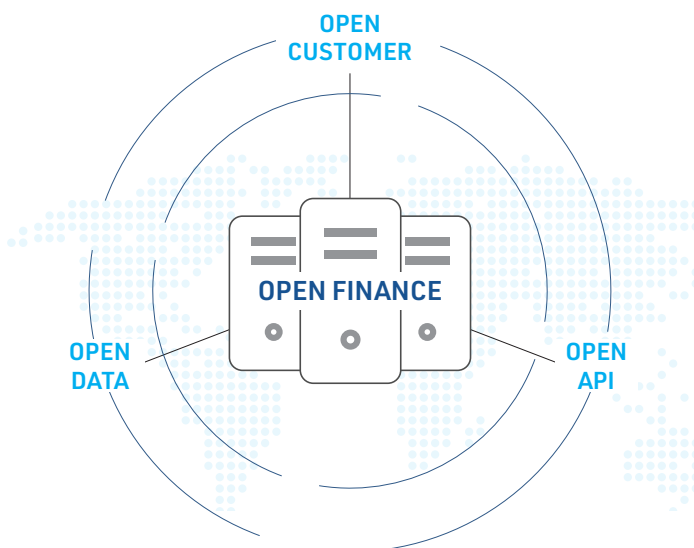
'Open finance' refers to creating new products and services by collaborating on technologies and business ideas required by the bank with outside parties, and sharing internal data, channels and customers with our partners. We are committed to providing new digital services that break down barriers by applying innovative technologies developed by fintech/ICT companies as well as the financial knowhow of the bank through sharing, openness and collaboration.

Corresponding strategies to achieve this year's goal are: 'Open Customer' strategies to open up customer channels to external participation, as we provide services from Woori Bank, and introduce external services within the bank's platform in return; 'Open Data' strategies of exploring new services by opening up the financial data maintained by Woori Bank; and 'Open API' strategies of opening up Woori Bank's exclusive products and services to external participation and offering non-financial services from outside the bank to customers.

Part 2. Stretching out Cooperation with Fintech Companies by On/Offline Integration

The Digital Financial Group plans to expand multifaceted cooperation with innovative fintech companies by transforming the existing WiBee Fintech Lab. First of all, we plan to increase infrastructure-related support, which used be confined to the provision of

Open Finance Strategy



office space by allowing for an optimal development environment for products related to financial APIs and the cloud, and establishing a comprehensive physical and technical support system aligned with training and consulting via global enterprises. Moreover, we will continue to expand the scope of partnerships online by positioning ourselves as a marketplace that provides wide-ranging services with fintech companies through WiBee Bank.

Part 3. Upgrading Business Support Services and Customer Experiences with New Digital Technologies

The Digital Financial Group plans to steadily promote internal business innovation and upgrade customer experiences by leveraging new digital technologies to preemptively respond to the rapidly changing financial market environment.

First of all, we will support asset management for customers by creating an AI market platform that predicts various changes in indicators in the market based on AI and utilizes such predictions for managing asset soundness and risks internally. In addition, we will apply AI-based data analysis outcomes to the product curation model and the model for enhancing customer transactions, enabling more sophisticated digital marketing. By doing so, Woori Bank will put in place an AI-powered bank which makes the most of AI technologies.

We will complete the adoption of Robotic Process Automation (RPA) to improve the business environment and enhance productivity, thus automating many operations in the bank based on RPA, and continuously expanding the scope of its application. Besides, we will reaffirm our presence as a digitally-leading bank by steadily implementing business innovation based on new digital technologies, including the adoption of blockchain-based security authentication, the creation of an open API and implementation of a cloud-based environment.



IT Support



Innovation in financial IT has gained more and more attention amid the advancement of the fourth industrial revolution. The banking sector launches competitive new products and services through the convergence of diverse new technologies and financial services. Corresponding deregulation and the roll out of solid security systems and infrastructure have also topped the agenda. Woori Bank ushered in the era of the Woori Innovative New Infra (WINI) in May 2018 after two years of development, replacing the Woori IT New System (WINS), used for 14 years since its launch in 2004.

We laid the foundation for a quantum leap as an IT leader in banking with dramatically stronger business operations, customer convenience and security by setting up a system focused on stability and scalability.

2018 Performance

Woori Bank officially opened the next-generation WINI system on May 8, 2018 after about two years and three months of development after kicking off the project to set up the system in February 2016. The next-generation system is a UNIX-based one with more scalability and flexibility than the existing mainframe-based one and enables the prompt and flexible application of new technologies in diverse channels.

The launch of the next-generation system shortened working hours and raised efficiency by improving convenience related to IT operability for employees. In addition, customers of Woori Bank can now access customized services more easily that cater to their needs, and further shortened latency in business operations thanks to faster IT processing.

Setting up the Woori Global Standard System (WGSS)

The global presence of Woori Bank now exceeds 430 networks around the world including 12 subsidiaries, 14 branches and four offices, with separate systems used in each region. As such, Woori Bank established the Woori Global Standard System (WGSS), a new next-generation system for standardizing the IT system used by global networks. By doing so, we established a standardized environment for global networks that are available 24/7. The IT Group will fully support the IT infrastructure of the globally competitive Woori Bank.

2019 Plans

The IT Group will consider 2019 the starting year of its emergence as a leading bank in terms of prompt and stable IT service innovation. First of all, we will facilitate prompt business support by optimizing IT operations, and adopt a new technological cloud infrastructure, and dramatically improve the level of resource utilization. We will reinforce competitiveness in IT services by maximizing synergies through competency integration between Woori Bank and Woori FIS and by expanding personnel exchanges with Woori FIS. We will ensure we generate synergies by establishing a collaborative system with Woori Financial Group, which was established in 2019.

To this end, we will realign the bank's IT operations with the group's and the IT-related parties of each affiliate, and fully support the setup of IT systems across the group. Woori Bank's global channels around the world will be fully supported. We will complete the setup of the new system for our newly-established subsidiaries in European/Philippines, along with 13 overseas branches including those in China, Indonesia and Vietnam, and dispatch relevant personnel for prompt stabilization of the system. Preemptive responses will take place by intensifying our bridging role between local business IT, periodically reviewing IT issues and expanding local user training sessions. This will enable the upgrade of the existing management-oriented support system into a problem-solving-oriented one.

Improving the IT Systems by Establishing Next-Generation Systems at Home and Abroad

1. Launch of the next-generation Woori Innovative New Infra (WINI), replacing the former Woori IT New Infra (WINS) which was introduced in 2004
 - Improvements in stability and scalability, enhanced efficiency through maintenance of the business process, and savings in terms of maintenance costs
2. Launch of the Woori Global Standard System (WGSS)
 - Standardization of operations and systems by integrating global network systems and replacing previous local systems
3. Reinforcing IT training
 - Boosting the capabilities of personnel by offering systematic training (collective training) for staff in the IT Group and employees specialized in IT
4. Management of an IT specialist pool
 - Strengthening corporate competencies by devising a systematic management system for an IT specialist pool

Information Security



Woori Bank continually strengthens its information security organization and enhances administrative and technical security measures to prevent any leakage of customer information.

2018 Performance

Reinforcing the Information Security Organization

The Head of the Information Security Division bears the responsibilities of the Chief Information Security Officer (CISO) and Chief Privacy Officer (CPO), managing all the teams in charge of privacy (credit information) protection. We regularly hold Information Security Committee meetings, which are chaired by our Chief Information Security Officer (CISO) and attended by 15 department heads at Woori Bank who are in charge of information security, IT operation and development, customer information handling and other relevant areas. The Committee discusses agenda items that cover IT security issues, internal control and process improvement for privacy protection and other matters.

We also have an ICT security diagnosis team with information security experts who serve as white hat hackers. This team analyzes and evaluates vulnerabilities, conducts mock hacking, and conducts an internal security review for newly launched services to ensure their safety and security.

Taking Administrative Protection Measures

To prevent the potential abuse and misuse of personal information, we allow only minimal access for employees so that they can only retrieve the information required to perform their jobs. We also reinforced internal controls for both the head office and branches through regular monitoring of unauthorized look ups of personal information unrelated to work along with inspections of personal information management.



In addition, all our employees must attend bank-wide information security training at least twice a year. We also make on-site visits to promote privacy information awareness and prevent security breaches. When we are required to consign customer information for business purposes, we disclose the scope of responsibilities and the consignee information on our website.

We conduct a regular inspection of the handling of information and information protection training. Our management and supervision of consignees are always thorough to ensure that customer information is not lost, stolen, leaked, forged, falsified or damaged.



Technical Security Measures

In July 2017, Woori Bank obtained ISMS (Information Security Management System) designation from the Financial Security Institute under the Ministry of Science, ICT and Future Planning, and we renew our certification every year by passing strict standards.

In 2017, Woori Bank applied cutting-edge security technology using a dynamic app tampering prevention and obfuscation system, which was a first among Korean banks. The new technological innovation bolstered the security of our mobile app services against increasingly intelligent and sophisticated external cyber violations.

2019 Plans

The Information Security Division plans to build an integrated information security management system that can ensure real-time integration, analysis, and action against both internal and external online security breaches and threats. The Division will also introduce AI-based detection functionality to strengthen and enhance the Fraud Detection System (FDS).

We will also conduct mock hacking drills to enable Woori Bank to be thoroughly ready for any potential cyber-attacks and protect customer information. We will always do our best in managing our systems and reinforcing security so that our customers will find a trustworthy partner in Woori Bank.

Awards and Prizes



Awarded a prize of the 'CISO of the Year' at the CIO Forum of the Federation of Korean Information Industries,

Awardee: Vice president of Huh Jeongjin, CISO of the Information Protection Team

Risk Management



As seen from the global financial crisis in 2008, failure to manage risks can lead to the collapse of a financial institution, which in turn significantly impacts the national economy. Therefore, risk management for financial institutions is a top priority, as related regulations continue to be intensified. Woori Bank is fully aware of the importance of risk management and complies with all relevant global regulations. Risk management is not only a means of crisis management but also a useful tactic for increasing earnings.

Stronger risk management improves asset soundness, which results in reduced credit costs and higher net income. Woori Bank will remain focused on risk management down the road in order to maintain this virtuous cycle.

2018 Performance

2018 was a year to focus on risk management by laying the foundation for a financial group structure because the Bank's transformation into a holding company was right around the corner. Concerted efforts were made in the areas of portfolio rebalancing and prevention of NPLs to respond to the economic slowdown. This has led to the greatest increase in asset soundness among major banks in Korea with the record-high income levels. In addition, we upgraded risk management systems with most up-to-date platforms available. We established the 'Big Eye,' a corporate client diagnosis system based on big data for the first time in the banking sector, and enhanced our credit evaluation model by reflecting the latest data. Meanwhile, diverse support was provided to boost the risk management competencies of local staff while upgrading global risk management, as the scale of the Bank's global business expanded.

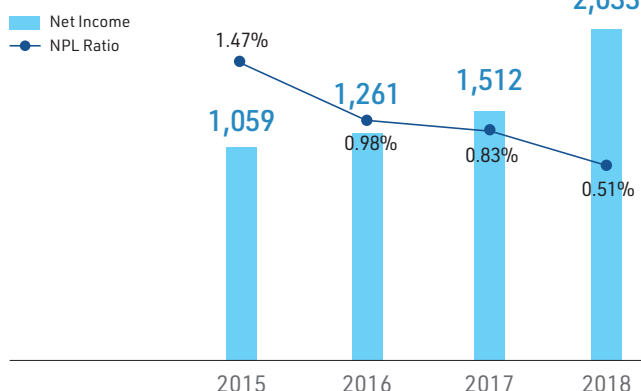
Part 1. Portfolio Rebalancing and NPL Prevention

2018 was a year to concentrate on the rebalancing of portfolios to ensure they remain strong against external shocks in preparation for economic instability at home and abroad. Higher interest rates in the U.S. created unstable conditions within and beyond Korea, including concerns of capital outflow from emerging markets, the trade war between the U.S. and China and signs of an economic slowdown in China. The domestic economy witnessed higher risks due to a sluggish economy through concerns over higher interest rates, and a higher unemployment rate and bankruptcy rate among the self-employed amid continued increases in household debt.

We imposed and managed exposure ceilings by predicting growth rates in accordance with the industrial outlook in order to respond to higher risks. We classified industries into 36 categories, induced growth by giving high scores to promising industries, and restricted growth for non-promising ones by imposing exposure ceilings at the minimum level and constraining the approval process. Furthermore, we newly adopted exposure ceiling management for each industry

Asset Soundness and Net Income Trends

[Unit: KRW billion]



among the self-employed in a bid to manage risks in the self-employed category. Meanwhile, the loan review process has been intensified for prevention of potential NPLs.

Review was underway for affiliates and companies with increased risks, so that losses arising from NPLs could be minimized through recommendations to reduce problematic loans. The NPL ratio, as a consequence of such risk management efforts, dropped by 0.32%p from 0.83% at 2017-end to 0.51% at 2018-end, manifesting a dramatic increase in asset soundness and an exponential growth of net income.

Part 2. **Upgrading of the Risk Management System**

Big data is now used more broadly in the financial sector. It is used most commonly for product advisory services based on analytics of customer behavior, but Woori Bank applied big data to corporate risk management for the first time among domestic banks. The Big Eye, a corporate client analysis system, is used to diagnose signs of business failure through machine learning, while providing summaries of critical information by collecting all useful data, including not only existing financial information but also records of VAT payments by key purchasing and sales partners, variations in electricity bills and textual analysis of newspaper articles. Woori Bank is now equipped with the Big Eye to cover everything from corporate loan reviews to follow-up management in a faster and more accurate manner.

We also improved the credit evaluation model, which is the basis for managing credit risks. It is not only a means to decide on loans by assessing the credit ratings of borrowers but also a risk management system used to provide critical information ranging from the accumulation of allowances to calculation of the BIS ratio.

The credit evaluation model is two-fold: one system for retail loans targeting retail borrowers and the other for corporate loans targeting corporate borrowers. We upgraded both of the systems by reflecting the latest data and trends. The distinction between high-yield/low-yield borrowers was made clearer, through which credit risk management was further improved.

Part 3. **Strengthened Global Risk Management**

One of the projects recently prioritized by Woori Bank is the expansion of its global business. The number of overseas branches has increased and profits have skyrocketed along with assets over the past several years. However, it is extremely important to ensure our business acquisitions adapt to our risk management system and manage risks accordingly because the Bank's global expansion is derived from a string of M&As with local financial institutions across Southeast Asia.

First, we determined the current status of risk management in our subsidiaries in the region. Weaknesses were discovered through specific questionnaires and interviews with local staff, and responses from each subsidiary. In order for each subsidiary to reach the same risk management level as the parent bank in the most rapid and effective manner, we documented risk management regulations and organizational restructuring. Video materials for training were produced to boost the risk management competencies of local staff, and parent bank regulations were translated into English for distribution.

Meanwhile, we upgraded the risk management readiness levels at existing major overseas subsidiaries in the U.S., etc., by sharing stress testing techniques with them.

2019 Plans

There are two projects being undertaken in 2019.

The first is to support the establishment of a risk management system for a holding company after the conversion. One of the key projects is the early approval of the Internal Ratings-Based Approach (IRB) for calculating the BIS ratio of the holding company. According to domestic regulations, the BIS ratio has to be calculated based on the standardized method before the approval of the IRB after the holding company has been established, in which case, the BIS ratio is calculated as lower than the IRB. Therefore, we will concentrate organizational competencies on acquiring approval for the IRB of the holding company as soon as possible.

The second is to establish a comprehensive system for crisis response. The recovery & resolution plan for financial companies is expected to be introduced and implemented in Korea in 2019, according to the supervisory authority. Under the scheme, banks are obliged to establish recovery plans to normalize their business in the event of a financial crisis and acquire approval from the supervisory body each year.

Woori Bank plans to set up a risk response system for each risk level ranging from the mildest risk level to the most severe scenario possibly involving the bankruptcy of the bank, while devising recovery plans. We are committed to strengthening our risk response capabilities by coming up with a system to ensure a timely response to risk indicators.

Consumer Protection



Consumer protection along with asset soundness is recognized as a core value in a financial company. Woori Bank established an autonomous organization for protecting consumers after launching the first-of-its-kind consumer protection department in 2010 among domestic banks to enhance protection of consumers. The bank has put in place a system for protecting consumers throughout the entire cycle of development, sales and follow-up management of financial products, and initiated an upgrade of staff competencies in terms of consumer protection. Against this backdrop, the bank has solidified its presence as a leading bank in consumer protection, while being selected for an award as an 'excellent institution in consumer protection' by the Financial Supervisory Service.



Awards and Prizes

Selected as an 'excellent institution in consumer protection' by the Financial Supervisory Service

Nominated as an excellent financial company in the Evaluation of Financial Consumer Protection (the highest rank)

Awarded the grand prize in the 7th Financial Consumer Protection Award by the Korea Economic Daily

Awarded the grand prize in finance (customer satisfaction) by Asia Today

2018 Performance

The Consumer Protection Center has upgraded the competencies of all staff to protect consumers by running systematic training programs in line with the roadmap for training on consumer protection under the goal of becoming the best-in-class bank for consumer protection, and fully supports on-site efforts to protect consumers. In addition, the bank formed a comprehensive system for consumer protection by integrating the customer service and consumer protection units, and implemented measures to protect the rights of consumers and systematically manage customer satisfaction. We took preemptive actions to prevent customer complaints by operating a preliminary consultation system for consumer protection for tasks related to product development, sales and business engagement, and by conducting programs to improve existing programs based on customer feedback. We also beefed up consumer protection by adopting a code of ethics for sales practices, and proactively carried out activities designed to protect customers' assets by enhancing the monitoring system for preventing financial fraud and engaging in activities to prevent customer losses.

Better Protection of Consumer Rights and Strengthened Competencies

Woori Bank has implemented the 'Woori Code of Ethics for Business Acts' for better protection of consumer rights, and systematized follow-up management measures by periodically verifying compliance and reporting the results of such measures to the Financial Consumer Protection Committee. We also explore ideas for improved convenience in terms of access to finance for the disabled and reflect them in our business management. To this end, we hold meetings with such organizations as the Korea Differently Abled Federation and Korea Federation of Organizations of the Disabled to improve the accessibility of financial products and services for the disabled who fall into the category of the financially underprivileged. We initiated an upgrade for staff competencies to protect



consumers by devising a training roadmap for systematic training of the workforce for consumer protection and organizing 225 on-site branch training sessions, 212 online training courses and 77 group training seminars. As a result of engaging in wide-ranging programs for consumer protection, Woori Bank was rated 'excellent' in two categories and 'good' in eight, according to the Evaluation of Financial Consumer Protection Practices conducted by the Financial Supervisory Service (FSS) of Korea, thus winning a commen-



dation given to outstanding financial firms. Our competencies for best-in-class consumer protection were also recognized when we received the grand prize, in the form of the commissioner's prize, from the Financial Services Commission at the 7th Financial Consumer Protection Awards, sponsored by the Korea Economic Daily.

Complaint Management

We have strived to minimize customer complaints through full-fledged strategies designed to address issues, while minimizing the spread of complaints through prompt responses to customer complaints that might arise from the introduction of the next-generation IT system. Accordingly, the number of complaints dropped 7.1 percent (79 cases) in 2018, excluding those related to system operations.

Prevention of Financial Fraud

We upgraded our monitoring system for financial fraud by utilizing big data and conducted educational campaigns to prevent financial fraud with outdoor advertisements and videos screened in branches aimed at stopping fraud. Furthermore, we organized seminars to show appreciation to outstanding police officers with a history of preventing financial fraud and awarded them commendations for the first time in the banking sector, while at the same time solidifying cooperative ties with institutions involved in preventive efforts.

As a consequence, the amount saved through financial fraud prevention efforts by Woori Bank increased 87 percent (KRW 31.5 billion),

and we also contributed to the arrest of about 450 financial fraud suspects through our proactive engagement in prevention efforts aimed at protecting customer assets.

2019 Plans

The Consumer Protection Center will strengthen its competitiveness by focusing on the concentrated competencies of its staff under the goal of achieving undisputed number one status in 2019. We will also boost customer happiness by upgrading financial fraud prevention systems. We will do our utmost to enhance consumer rights and provide consumer-driven financial services. To this end, we will intensify monitoring of incomplete sales by implementing a second round of Happy Calls to ensure a culture of complete sales for financial products and manage indicators for operational risks in incomplete sales.

We will also continue to engage in efforts to boost financial access for the financially underprivileged. We will also work to protect customer assets by improving monitoring systems to reflect new fraud and promptly respond to evolving techniques, and implement promotional activities to prevent losses by utilizing social media, targeting customers in their 20s and 30s who are more vulnerable to financial fraud. Moreover, continued activities to preemptively prevent complaints and establish a deep-rooted and autonomous customer satisfaction culture in business units will enable Woori Bank to achieve undisputed number one status, growing alongside its customers.

Social Contribution Activities



In today's world, where the emphasis is on the social roles and responsibilities of finance, we continue to practice sharing alongside the community to realize the three values of humanity, happiness and hopefulness, and carry out diverse social contribution activities including support for small merchants and microfinance in order to fulfill our responsibilities as a major financial institution.

Since launching the Woori Bank Volunteer Corps in July 2007, we have been engaged in a number of social contribution activities through our nationwide branch network.

2018 Performance

Humanity: Humanity in Action with Local Communities

Woori[we] Love Sharing Program: Woori Bank's Signature CSR Program

Since launching the Woori Bank Volunteer Corps in July 2007, we have been engaged in a number of social contribution activities through our nationwide branch network. The Woori [We] Love Sharing Program is our signature CSR program for all bank employees to take part in social contribution activities. It involves welfare facilities that have established ties with 34 regional business headquarters.

We encourage employees of the bank to periodically volunteer and provide sponsorship for the socially underprivileged, including infants, elderly citizens, and the disabled. We also run a social contribution campaign in the first and second half of the year, giving out awards to high-performing branches in the area of social contribution biannually to encourage voluntary participation by employees. The donations for social welfare centers raised during the campaign period are used to support the underprivileged.

In addition, we take the lead in spreading the culture of sharing by sharing best practices from participating branches in the social contribution campaign.

'Blood Drive' with Greater Compassion

Woori Bank has conducted a 'blood drive' campaign since 2006. The campaign, carried out during July and August when blood is most needed, is one of Woori Bank's social contribution activities with the longest history where employees from branches nationwide voluntarily visit blood donation centers nearby, engage in blood donation and donate their donation certificates. Blood donation certificates received after donating blood during the drive and individually are used to provide support to patients with incurable diseases including leukemia and pediatric cancers.



Sharing Daily Necessities for the Underprivileged

Woori Bank continues to engage in the act of sharing with the underprivileged during traditional holidays and the winter season. Meal kits consisting of essential food such as seasonal fruits and



prepared meals were prepared for the last Chuseok holiday, and distributed to 5,000 households through Seoul Association of Social Welfare Centers, targeting elderly living alone and single-parent families. Furthermore, we have donated KRW 1 billion to the Community Chest of Korea to help out those in need each year since 2009, standing at the forefront of promoting genuine interest in and consideration for the underprivileged throughout society.



Happiness: Pursuing Happiness through Sharing

Woori People's Culture of Donation: 'Woori Care Fund' and 'Woori Children's Care Fund'

Woori Bank strives to create a culture that encourages employees to donate voluntarily to good causes. The bank's two representative funds are: the 'Woori Care Fund' where employees voluntarily donate a certain percentage of their monthly pay, and the 'Woori

Children's Care Fund' where employees choose an amount below KRW 10,000 from their payroll to be automatically donated.

The Woori Care Fund is a representative project of the Woori Together in Love and Support System, which develops and funds worthy CSR programs.

This year, the Woori Care Fund has been utilized to initiate donation projects that feature customer involvement along with the Together with Kakao (a mobile/web donation platform), taking the lead in raising social interest in the underprivileged. We intend to firmly establish a corporate culture based on sharing and service, thus fulfilling our responsibilities as a good corporate citizen.

Projects to Support Future Leaders

Woori Bank engages in diverse social contribution programs to help the future generation. Last May, we delivered messages of courage and hope to children with incurable diseases through the 'Woori Hope Together Project' that fulfils the wishes of children that have chronic illnesses by allowing them to meet well-known sports stars, attend private music recitals and become radio DJ-for-a-day.

In addition, the Woori Together Scholarships for Youth are given to local children's centers twice a year. 164 children (on an accrual basis) received scholarships in 2018 through this program. The Special Event for Children from Remote Islands and Areas is a program that invites children from rural or fishing villages where

social and cultural resources may be relatively scarce to visit Seoul. The event offers diverse experience programs including visits to Gyeongbok Palace and museums.

Hopefulness: Inspiring Hope Through Communication and Mutual Prosperity

'Global Volunteering' to deliver hopes

To address social issues in the global community through the bank's global networks, Woori Bank conducts a variety of CSR activities and fulfills its social responsibilities as a global financial firm.

For instance, last September, the global volunteer group consisting of 35 outstanding employees from branches were engaged in improving the educational environment by painting the buildings of an elementary school in Phnom Penh, Cambodia, and had a time getting to know local children better. Furthermore, we donated money to construct a playground with a soccer field for children so that they have a place to run around.

In July 2018, we conducted the Campaign to Share Hope to help children who have become climate refugees. We gave out T-shirts to children from underdeveloped countries who have lost their homes due to climate change and natural disasters and sponsored services to prevent nutritional deficiencies.



Woori Multicultural Scholarship Foundation: A Reliable Partner for Multicultural Families

The Woori Multicultural Scholarship Foundation is a non-profit corporation funded by Woori Bank and other affiliates of the Woori Financial Group that was established in 2012. Its diverse projects help multicultural families in Korea to overcome cultural and linguistic differences and comfortably integrate themselves into society.

Since its establishment, approximately KRW 2.6 billion has been donated to a total of 3,340 students from multicultural families. Equal opportunities in education were provided to multicultural students through scholarship programs, thereby creating an educational environment for students to focus on studying without incurring a financial burden.



Along with education and training for multicultural students to develop their talents in athletics, basketball, shooting, art, music and languages, scholarships have been launched to provide support for them to acquire professional licenses and enter contests. Moreover, sponsorship is provided for wide-ranging educational programs including a multicultural children's choir, economics and financial education and cultural understanding lectures for married immigrants to enable multicultural children to grow in a healthy environment and adjust to Korean society.

The Foundation also hosted Woori Wedding Day, a joint ceremony for ten multicultural couples who could not afford a wedding ceremony. It also provided subsidies related to furniture purchases for multicultural children so that they can study more efficiently, and subsidized medical costs and cultural activities. The Foundation intends to remain active in enhancing the quality of life and sense of happiness enjoyed by multicultural families.

Woori Smile Microcredit



Woori Bank is engaged in Microcredit to spearhead the efforts in practicing socially responsible banking by supporting the financially struggling and socially vulnerable and neglected customers. In 2009, Woori Bank led in the contribution of KRW 10 billion per year, totaling KRW 50 billion over five years, together with WFH and its affiliates, to establish and operate the Woori Microcredit Foundation.

The foundation appointed famous people from the religious, academic and social welfare circles as outside directors, ensuring the fairness of the project and the support of citizens. There are nine branches across the nation with 28 employees.

Woori Smile Microcredit's Cumulative Performance

[Unit: KRW billion]



[Unit: cases]



2018 Performance

Active Implementation of Social Responsibility Finance

Major Performance of Microcredit Foundation

By extending support to the financially vulnerable, the socially neglected and those who lack financial access, we extended Microcredit worth KRW 621 billion in 2018, leading the way in practicing socially responsible financing. Microcredit services were presented with several products: 'Woori New Hope Spore Loan' for low-credit low-income customers; and 'Woori Switch-Over Dream Loan', whereby citizens suffering from high-interest rate loans could make the transition to low-interest loans.

Through Microcredit services, Woori Bank extended approximately KRW 150 billion of credit in 13,182 cases through 2018. In 2018, pursuing the business goal of 'Microcredit that helps achieve self-sufficiency', we achieved a tremendous increase in the Microcredit extensions, by approaching customers and developing customized products. Woori Bank extended approximately KRW 19.3 billion of credit in 2,031 cases through 2018 (13,182 cases worth KRW 150 billion in total). It was not a mere voluntary activity: support has been given so that recipients can become self-sufficient through consulting and microcredit events in the form of visiting, consulting and extending a helping hand on-site.

Microcredit Foundation's Key Products

- Business Startup Loan: A loan for small-scale registered entrepreneurs to start a new business
- Working Capital Loan: A loan for individual entrepreneurs (who have already been in business for over six months) to purchase products, raw materials, etc.
- Loan for Facility Improvement Funding: A loan for individual entrepreneurs (who have already been in business for over six months) to improve the facility of business sites.
- Sunshine Loans for University Students and Young People: A loan for emergency funding for youngsters and university students who are under 29 years old (under 31 years old for men who served in the military).

Microcredit that Helps Achieve Self-Sufficiency

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

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

Ethical & Compliance Management



To survive in an era of global competition and achieve sustainable development, Woori Bank has the Woori Code of Ethics and the Woori Code of Conduct in place so that employees can refer to these standards and understand the importance of corporate social responsibility and ethical management as they perform their day-to-day responsibilities. We continuously operate various 'action programs' to help our officers and employees recognize the importance of ethical management. For Woori Bank, our employees and society as a whole, as well as our customers and shareholders, are important stakeholders.

Based on the high level of ethical finance implemented through the Woori Code of Ethics, we will fulfill our social responsibilities for all stakeholders and contribute to the advancement of society. We aim to prevent any threats to the trust and performance which we have carefully built up because of any small oversight or negligence by our employees in the ever-stringent market with no tolerance for unethical acts. To this end, we are committed to protecting the company and our employees through 'compliance awareness' ensuring compliance with laws and principles as well as the

spirit of fair competition, and contributing to the establishment of a fair and clean corporate culture based on mutual trust and a compliance mindset.

2018 Performance

Reinforcing Ethics and Compliance Training

In 2018, Woori Bank launched various ethics and compliance training programs so that all our employees are able to understand and put the ideals of ethical management into practice.

First, we conducted online training for all employees, introducing case studies for them to easily understand the Code of Ethics. Second, we implemented a bimonthly Ethics/Compliance Self-Check Test so that the employees can develop a detailed understanding of the Code of Ethics and examine the behavioral standards applicable to each job rank.

Third, we utilize the 'Ethics and Compliance at Work' section on the bank intranet to publish training materials on ethics and internal control online, which our employees can use for their monthly compliance training and in the field. Finally, we post a quarterly Ethics and Compliance Case Study on the intranet as a commentary on the Code of Ethics and other regulations related to internal control.

Action Programs for Ethical Management

Woori Bank offers many programs to promote ethical management and compliance. The first is the Woori Hotline, a channel through which best-of-breed practices can be commended and violations of the Code of Ethics by employees can be reported. The Woori Hotline is a channel for employees, partners, and other stakeholders to report on compliance with ethical management standards. This is a program that encourages employees to comply with laws, regulations, and the Code of Ethics.



Second, the Ethical Management Support Council serves as a meeting group to spread the concept of ethical management and the practice of compliance. The Council holds meetings twice a



year chaired by the Compliance Officer. It discusses various agenda items, including how to uphold the Code of Ethics and how to improve ethical management standards. As such, the Council discusses and decides on specific policies related to ethical management. Finally,, Woori Bank has a Whistleblowing Program in place to report foul play by any of our employees as well as the Clean Contract System to encourage transparent and honorable agreements for all providers and businesses participating in contracts and purchases.

On-Site Legal Services

Woori Bank provides prompt legal services by operating a pool of lawyers exclusively for branches with the aim of providing contingent legal counseling at business sites. In addition, we provide on-site support by shortening the time required for legal reviews with case-specific standard agreements uploaded on the legal portal system. Furthermore, we promote better understanding among bank employees of legal cases by providing a 'Handbook on Legal FAQs' with the most frequently asked legal questions at branches, and posting the information on the portal system by job type.

2019 Plans

In 2019, Woori Bank aims to 'lay the foundation for the continued growth of the bank by establishing a culture that ensures all employees comply with laws and regulations.' To this end, we raised the compliance mindset among employees, intensified monitoring

of compliance and upgraded our global compliance capabilities. We will diversify ethical and legal compliance training for employees to raise awareness of legal compliance. While continuing with existing ethical compliance training including training seminars offered online, we also aim to boost ethical and legal awareness through collective group training sessions.

The chief supervisor system will be further reinforced to strengthen monitoring of legal compliance. Dedicated lawyers will be dispatched to several departments within the first quarter of this year – including the Wealth Management Business Department, Trust Department and Trading Department – among those engaged in product development and sales in order to prevent legal risks in advance. This will enable monitoring of potential regulatory violations from the initial development stage involving new products and schemes.

Lastly, differences between what is required by the local supervisory authorities of overseas branches and the current level of compliance are to be analyzed and improved through the diagnosis of global consultancies in order to upgrade global compliance standards. In 2019, Woori Bank will enhance its prestige as a leading bank in Korea by laying the foundation for continued growth based on ethical compliance management.

Anti-Money Laundering



A close look at recent regulatory trends in anti-money laundering reveals that financial institutions that neglect anti-money laundering operations place their very existence at risk. We launched the Sanctions Management Team under the Compliance Department for the first time among Korean commercial banks in 2017 in tandem with the domestic and international trend of enhanced supervision of anti-money laundering operations. We upgraded the Anti-Money Laundering Team under the Compliance Department into the Anti-Money Laundering Department at the end of 2017.

Our department ensures preemptive responses against money laundering threats, while also promoting compliance with inspections by domestic and international supervisory authorities under the goal of raising the overall level of the bank's anti-money laundering efforts based on risk assessment. The Anti-Money Laundering Department of Woori Bank is ready for upcoming Mutual Evaluation by the Financial Action Task Force (FATF) and has boosted the bank's competencies in all aspects by setting up an advanced monitoring system to prevent money laundering, training employees and improving management capabilities.

2018 Performance

Intensifying Anti-Money Laundering Efforts in Korea

The Anti-Money Laundering Department (before reorganization on 26 Apr. 2019) came up with measures to enhance compliance in accordance with the virtual currency guidelines released by the Financial Services Commission announced in January 2018. We put in place a procedure for authenticating virtual asset service providers, and for authenticated providers, we conducted a reinforced customer identification procedure which also includes site inspections. We intensified monitoring of financial transactions by users as well as virtual asset service providers by allocating personnel to dedicated positions responsible for virtual currency handling. We were also actively reporting suspicious transactions.

Furthermore, we established and utilize a Risk Based Approach (RBA) for the prevention of money laundering whereby money laundering risks are identified, analyzed and assessed to differentiate the level of risk management to effectively conduct operations related to Anti-Money Laundering. RBA-based risk assessment took place throughout the bank on 191 items within the AML system, resulting in the setup of a system for identifying the current status of risk indicators and monthly reporting.

Wide-ranging training sessions were offered to upgrade competencies on and raise interest in Anti-Money Laundering at business sites. We enhanced the efficiency of training sessions which targeted employees of specific job ranks and personnel categories, and conducted online courses and in-house video training for those who could not attend collective group training in order to raise the accessibility of Anti-Money Laundering training.

Upgrading the Level of Anti-Money Laundering Efforts Abroad

In tandem with the global trend of ever-stricter Anti-Money Laundering, Woori Bank launched the Overseas AML Team by upgrading the Anti-Money Laundering Team under the Compliance Department into the Anti-Money Laundering Department as of the end of 2017. The newly formed Overseas AML Team conducted diverse operations to improve compliance at our New York and LA Branches and our subsidiary in the U.S., which has the most stringent Anti-Money Laundering supervision standards in the world. We recruited a specialist who was a former staff member of the U.S. Government authority and improved our competencies in compliance management, added effective communication into the Channel with U.S financial authorities.

We assessed the site of the head office and conducted an independent third-party inspection enhance readiness for a comprehensive inspection by the local supervisory authorities, and came up with points for improvement under the supportive leadership of the head office, and took other relevant measures. During the

comprehensive examination at our LA Branch, compliance officers from the head office held a meeting with officers from the local supervisory authority, reaffirming Woori Bank's commitment to Anti-Money Laundering efforts.

The Anti-Money Laundering Department distributed the Global Guidelines on Anti-Money Laundering covering all relevant AML details at all overseas branches, and introduced and revised provisions for each country. Meanwhile, we ensured preemptive responses to local financial regulatory authorities' stringent regulations by conducting risk assessment and diagnosis as part of efforts aimed at preventing money laundering with consulting firms for branches in Hong Kong and Singapore, which are international financial transaction hubs.

Training material related to Anti-Money Laundering was distributed to overseas branches every month, and training sessions are held in Korea for employees that are dispatched abroad and for overseas staff so that AML competencies were reinforced at all overseas branches.



Preemptive Responses against Sanction Risks

In 2018, various programs were implemented to strengthen compliance programs to ensure observance of all economic sanctions.

First, we improved the sanction filtering system at all overseas branches. We adopted the filtering system for screening operations which used to be conducted through the existing bank accounting system in order to perform such screening more professionally.

Second, we conducted risk assessment related to compliance with economic sanctions. Improvements were made by identifying strengths and weaknesses in terms of compliance with economic sanctions. Third, we upgraded staff training.

We conducted training sessions with external instructors for executives to comply with economic sanctions.

2019 Plans

Our Anti-Money Laundering Department will upgrade the AML and sanctions management system at home and abroad in 2019. We plan to make improvements in diagnosing risks at the head office and at overseas branches as well as improve the system in partnership with global consultancies.

We are also committed to setting up an enterprise-wide preemptive risk management system through intensive management of documents at the head office to verify the actual ownership of subsidiaries, improve KPI management, and enhance intensive site inspections and monitoring of domestic and international branches.

While ensuring readiness for inspections by the local supervisory authorities at overseas branches, and boosting regulations on Anti-Money Laundering, we will also translate related documents into English in order to expand support for Anti-Money Laundering operations at domestic and overseas branches.

Moreover, we will work to establish an advanced AML system by adopting the preventive Trade-Based Money Laundering (TBML) system as well as a globally-integrated AML system to become globally competitive in the field of Anti-Money Laundering. At the same time, we will increase the efficiency of Anti-Money Laundering operations through upgraded training for existing and new employees.

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Management's Discussion and Analysis

1. Disclaimers on Forecast Information

Activities, events or phenomena that are expected and predicted to occur in the future in this annual report for Woori Bank reflect the company's thoughts and opinions on events and financial performance at the time when this document was prepared for disclosure in the same term. The forecast information is based on diverse assumptions associated with the future business environment, and, consequently, such assumptions may be judged to be inaccurate in the future. Moreover, the assumptions include risks, uncertainties and other factors that might cause critical differences between estimated outcomes in the forecast information indicated here and the actual outcomes. Factors that might induce such critical differences encompass factors related to internal corporate management and those related to the external environment, and include other wide-ranging factors.

We have no obligation to disclose a revised report with corrections on matters prescribed in the forecast information in order to reflect risks or uncertainties that might occur after the preparation of the forecast information. In conclusion, we cannot confirm the realization of expected results or matters forecast by the bank or the occurrence of any impacts projected in this business report. Forecast information prescribed in this report is current as of the time the report was prepared. Please note that we have no plan to provide updates on such risk factors or forecast information. Furthermore, it should be noted that even under such circumstances, the forecast data shall not be used as evidence for legal responsibility regarding investment outcomes for customers.

2. Overview

In 2018, uncertainties in the global economy were amplified, including the prolonged U.S.-China trade conflict and sluggish progress related to the Brexit deal, along with stronger regulations on the real estate market and the expected emergence of additional Internet-only banks, overall a year threatening the traditional way of conducting business. Even amidst such difficult circumstances, Woori Bank has strengthened its financial performance over the past three years.

As financial soundness indicators including our non-performing loans (NPL) ratio and delinquency ratio radically improved each year, asset quality and capital adequacy indicators also demonstrated a strong positive trend, with the Common Equity Tier 1 ratio surpassing 11.15%. This overall improvement due to our enhanced risk management competencies, allowed us to exhibit outstanding business performance within the low-growth and low-interest-rate environment over the past few years. Continuing our strong financial results from 2017, Woori Bank managed to surpass the previous year's net income within only nine months in 2018.

Key Management Indicators

(Unit: %)

Category		2018 (185 th term)	2017 (184 th term)	2016 (183 th term)
Profitability	Return on Assets (ROA) ¹⁾	0.62	0.48	0.41
	Return on Equity (ROE) ¹⁾	9.69	7.42	6.36
	Net Interest Margin (NIM) ²⁾	1.52	1.47	1.41
Capital Adequacy	BIS Ratio ¹⁾	15.65	15.40	15.29
	Common Equity Tier 1 Ratio ¹⁾	11.15	10.95	10.50
Asset Quality	NPL Ratio ²⁾	0.51	0.83	0.98
	Delinquency Ratio ²⁾	0.31	0.34	0.46

1) Based on consolidated financial statements

2) Based on separate financial statements

In response to more rigorous regulations on household loans, we have pursued balanced growth in assets involving households, SMEs, and large companies, while we have continuously enhanced non-interest income by reinforcing asset management competencies to meet customer needs. In January 2018, Woori Bank was also re-appointed the managing custodian bank for the National Housing and Urban Fund (NHUF), in recognition of Woori Bank's business competencies and credibility. As a result of enhancing fundamentals by improving asset quality and capital adequacy indicators, Woori Bank's credit ratings were revised upwards (A2→A1) by Moody's in April 2018, manifesting recognition of the bank's improvement of creditworthiness by the international rating agency.

As growth in the Korean financial market remain stagnant, many domestic banks are accelerating entry into global markets. As of the end of 2018, Woori Bank operates 430 global networks, the largest number of networks as a Korean commercial bank. In October 2018, we acquired approval to establish Woori Bank Europe GmbH from the German Financial Supervisory Service BaFin and the European Central Bank. This is a clear sign that we have completed a 'global financial belt' connecting Asia, Europe, the Middle East and the Americas, as we continue to advance into overseas business opportunities.

Through the development of digital financial technology such as big data, blockchain, and artificial intelligence (AI), IT firms have made rapid inroads into the financial market, especially as more Internet-only banks are expected to enter the market. Under these circumstances, as it seeks to improve its financial service environment to be more user-centric, Woori Bank has launched next-generation systems to replace outdated computing systems. We have also intensified enterprise-wide digital competencies by establishing a Big Data Center to explore and implement new digital technology-related projects.

After acquiring approval to establish Woori Financial Group Inc. by the Financial Services Commission in November 2018, Woori Bank successfully engineered a shift to a holding company structure on January 11, 2019. This is expected to further enhance the level of customer services through wide-ranging business fields such as through the expansion of non-banking business portfolios and provision of customized comprehensive asset management services. In the same vein, Woori Bank set its management goal for 2019 as 'Standing Together with Our Customers for the Past 120 Years, Leaping Forward as a Great Bank' under which, we will strive to be a bank that fulfills its social responsibilities by scaling up support for the financially underprivileged and SMEs in 2019 by 'strengthening customer-centered marketing' and 'realizing the social values of finance.'

3. Financial position & Business performance

A. Financial position & Business performance

(1) Growth

(Unit: KRW billion)

Account	2018 End of the (current) 185 th term	2017 End of the (previous) 184 th term	Change (amount)	Change (percentage)
Total Assets	340,447	316,295	24,152	7.64%
Loans in KRW	211,065	200,213	10,852	5.42%
Corporate loans	93,856	89,666	4,190	4.67%
Household loans	113,704	106,814	6,891	6.45%
Public and other loans	3,505	3,733	(229)	(6.12%)

*Based on consolidated financial statements

As of the end of 2018, Woori Bank's total assets (consolidated basis) stand at KRW 340.4 trillion, a KRW 24.2 trillion (7.6%) increase from the previous year.

The increase was mainly due to the year-on-year increase of loans denominated in Korean won by KRW 10.8 trillion (5.4%), the bank's key asset category. Corporate loans increased by KRW 4.2 trillion, and household loans increased by KRW 6.9 trillion, highlighting the portfolio's balanced growth. In 2019, Woori Bank will keep pursuing a strategy of balanced asset growth in consideration of risk management and profitability.

(2) Profitability

(Unit: KRW billion)

Account	2018 (Current) 185th term	2017 (Previous) 184th term	Change
Operating income	2,759	2,157	603
Net interest income	5,651	5,221	430
Non-interest income	1,062	1,252	(190)
Net fees & commissions income	1,070	1,070	-
Securities income	224	321	(98)
Net gain (loss) on available-for-sale (AFS) financial assets	80	196	(117)
FX/Derivatives/Other operating income	(311)	(336)	25
Impairment losses due to credit loss	(330)	(785)	456
General and administrative expenses	(3,624)	(3,531)	(93)
II. Non-operating gain (loss)	46	(207)	253
III. Net income before income tax expense	2,805	1,950	855
IV. Income tax expense	(753)	(419)	(334)
V. Net income	2,052	1,530	522
Net income attributable to owners	2,033	1,512	521
Net income attributable to non-controlling interests	18	18	1

* Based on consolidated financial statements

In 2018, Woori Bank's net income reached KRW 2,033 billion (consolidated basis, controlling interests), recording an increase of 34.4 percent or KRW 521 billion in annual growth compared to 2017. This resulted in an increase in net income of an average 24.5 percent for three consecutive years (19.1% in 2016, 19.9% in 2017 and 34.4% in 2018). The increase resulted largely from 1) an increase in interest bearing assets; 2) improvement in the net interest margin; and 3) a decrease in credit cost.

An increase in interest income was driven by even growth in the 6.5 percent range for SME loans and household loans, respectively, year-on-year. The net interest margin (NIM) also increased by 0.05%p from the previous year due to a continuous focus on increasing the portion of core deposits. As a result, NIM stood at KRW 5,651 billion, up 8.2 percent year-on-year.

Non-interest income dropped by KRW 190 billion from the previous year. This is attributable to the occurrence of non recurring gains on the sale of loans in the previous year and a drop in the gains related to investment securities with the adoption of the IFRS9 standard in 2018. There has been a slight drop in the card fee income due to a decrease in credit card merchant fees, and etc., but trust-related income fees generated by core asset management increased by about 25 percent year-on-year, highlighting our continued growth.

General and administrative expenses including personnel and non-personnel expenses were KRW 3,624 billion, exhibiting an increase of 2.6 percent or KRW 93 billion year-on-year. Woori Bank implemented voluntary early retirement program to a greater number of employees but adequately managed and kept a minimum level of an increase in general and administrative expenses by improving the manpower structure and sales channel continuously over the years.

Impairment losses due to credit loss reached KRW 330 billion in 2018, a decrease of KRW 456 billion from the previous year. This is attributable to the fact that despite the reserve of a large-scale allowance relating to Kumho Tire Co., Inc., bad debt expenses continued to decrease over the previous years, thanks to the continued improvement of asset quality. Woori Bank has positively managed asset quality and bad debt expenses by increasing quality credit assets and through continued monitoring and preemptive control of industries, such as shipbuilding, construction and marine transport, as well as rigorously strengthening the level of risk management. As a result, the NPL ratio improved to 0.51 percent in 2018, the lowest level ever.

Non-operating income in 2018 recorded a gain of KRW 46 billion, up KRW 253 billion from the previous year. This gain was a result of impairment losses due to the credit loss regarding Kumho Tire in 2017, and the contribution of issuance costs for an unclaimed amount of cashier's check to the Korea Inclusive Finance Agency under the revised Microfinance Support Act in 2017.

Woori Card, as a subsidiary of Woori Bank, achieved net income of KRW 114.8 billion in 2018, which is up about 13 percent from KRW 101.2 billion in 2017. Despite the drop in fees from card merchants due to a greater range of small merchants & small-and medium-sized merchants and additional fee discounts received from small or medium sized merchants, operating income went up due to higher card revenues year-on-year (KRW 72.9 trillion → KRW 75.3 trillion, +2.4 trillion) and an increase in financial assets (KRW 3.5 trillion → KRW 4.2 trillion, +0.7 trillion). This is also a result of continued cost saving efforts including higher efficiency in marketing and a reduction in bad debt expenses. Meanwhile, Woori Card continues to expand its profit base with volume in new businesses such as installments/leases/loans reaching KRW 1,039.3 billion.

Woori Investment Bank had a significantly higher net income of KRW 32.4 billion in 2018 based on separate financial statements compared to KRW 20.6 billion in 2017. Improved profitability is expected to continue in 2019 due to higher interest income generated from an increase in assets under management including short and long-term loan balance (loans & receivables and CMA assets under management) and higher fee income management, leading to higher ordinary profits.

In 2019, a challenging economic landscape is likely to unfold just as in 2018 due to the U.S.-China trade war and changes in the financial regulatory environment. Therefore, Woori Bank plans to focus on competencies in non-interest income in order to maintain strategies for adequate growth to match the expected economic growth rate for 2019 and ensure a balanced profit structure. In addition, we will do our utmost to manage the general and administrative expenses at a stable level through proactive efforts at cost savings, such as inducing higher efficiency in personnel and channels, and expanding our global network, given that the domestic market is unlikely to witness dramatic growth.

(3) Asset Quality

(Unit: KRW 100 million, %, %p)

Category	2018 (Current) 185th term		2017 (Previous) 184th term		Change
	Indicators	Change	Indicators	Change	
Non-performing loans (NPL)	11,825	(6,571)	18,396	(2,725)	21,121
NPL ratio	0.51	(0.32)	0.83	(0.15)	0.98
NPL coverage ratio *	119.4	31.7	87.7	3.2	84.5
Delinquency ratio	0.31	(0.03)	0.34	(0.12)	0.46

* The amendment of the Detailed Enforcement Rules for the Regulations on Supervision of Banking Business (Schedule 7, as of December 14, 2016) and the Standards for Integrated Management Disclosure for Financial Businesses (as of January 26, 2017) recognized bad debt reserves as capital, therefore excluding bad debt reserves from the sum of allowances. This calculation has been made based on the amended regulations.

Woori Bank has shown outstanding increases in asset quality each year through preemptive risk management and continued 'back-door-locking'.

The NPL ratio has been reduced continually, from 0.98% in 2016, to 0.83% in 2017 and 0.51% in 2018. The NPL coverage ratio is also increasing annually, from 84.5% in 2016, to 87.7% in 2017 and 119.4% in 2018. Based on these results, the bank is thoroughly prepared for any additional losses that it may incur.

Corporate loans in 2018 reached KRW 120 trillion with an NPL ratio of 0.75 percent, against the 2017 results of KRW 116 trillion and 1.37 percent. The NPL ratio significantly decreased due to the inflow of financially sound businesses, proactive bad debt write-offs and preemptive portfolio management. Household loans grew to KRW 113 trillion from KRW 107 trillion in 2017 in total with an NPL ratio of 0.25 percent, slightly up from the 2017 results of 0.24 percent (based on the standards of the Financial Supervisory Service in regard to non-performing loans). Since adequate allowances have been reserved for debtors involved in debt restructuring measures such as work-outs and corporate rehabilitation, the likelihood of additional losses in terms of NPL is very low. For these debts, normalization efforts continue while sales or write-offs may be considered if normalization proves impossible. Borrowers with possible insolvencies are monitored to a greater degree so that we can take preemptive action amid the uncertain domestic or global financial conditions continue.

(4) Capital Adequacy

(Unit: KRW billion)

Account	2018 (Current) 185th term	2017 (Previous) 184th term	Change
Common equity Tier 1 capital	17,276	16,075	+1,201
Additional Tier 1 capital	3,148	3,042	+106
Tier 2 capital	3,828	3,487	+341
Total BIS capital	24,251	22,603	+1,648
Risk-weighted assets	154,971	146,762	+8,209
Common equity Tier 1 ratio	11.15%	10.95%	+0.19%p
Tier 1 capital ratio	13.18%	13.03%	+0.15%p
BIS capital adequacy ratio	15.65%	15.40%	+0.25%p

In 2018, Common Equity Tier 1 capital of Woori Bank totaled KRW 17,276 billion, an increase of KRW 1,201 billion or 7.5 percent from the previous year. Additional Tier 1 capital was KRW 3,148 billion, an increase of KRW 106 billion year-on-year, which resulted from the repayment of hybrid securities issued before the implementation of Basel III standards. In consideration of the issuance cost, Woori Bank plans to reduce the scale of its hybrid securities on a continual basis. Tier 2 capital amounted to KRW 3,828 billion due to an increase of KRW 341 billion year-on-year, affected by such factors as the decrease in recognized subordinated debt issued before the implementation of Basel III standards and the rising exchange rate compared to the previous year. Total BIS capital went up by KRW 1,648 billion year-on-year to KRW 24,251 billion. As of the end of 2018, the Risk-weighted assets of Woori Bank totaled KRW 154,971 billion, an increase of 5.6 percent or KRW 8,209 billion from the previous year (lesser than an increase of 7.6% assets on a consolidated basis from the previous year). This is the result of the bank's proactive efforts to enhance capital adequacy by decreasing risk-weighted assets (on a consolidated basis), originated from increasing high creditworthiness assets and reducing potentially delinquent assets. In 2018, Woori Bank achieved a common equity Tier 1 ratio of 11.15 percent, a Tier 1 capital ratio of 13.18 percent, and a total capital ratio of 15.65 percent, which translates into a continued increase of 0.19%p, 0.15%p, and 0.25%p, respectively. Capital adequacy continues to improve, and Woori Bank is committed to maintaining this trend by realizing profits and securing an adequate level of capital.

B. New Businesses & Suspended Businesses

Woori Bank was named as the preferred bidder in October 2017 in the bidding process to select the primary custodian bank for the National Pension Service (NPS). It is expected that Woori Bank will expand into new areas thanks to its selection as the main bank for the NPS, the first noticeable change in primary custodian bank designation in the decade since 2007. We signed a 'Custodian Bank Agreement' in January 2018 and began our term as the exclusive custodian bank for the NPS according to the three-year contract starting from March 2018. Woori Bank handles the NPS' banking business, which includes pension premium collection, pension payment, fund management for the headquarters and operational funds settlement. The designation is expected to bring about promotional effects, enhance fee income as well as income from developing and selling affiliated financial products as it will help Woori Bank build a stronger relationship with the NPS, Korea's representative pension fund with retained reserve funds of KRW 639 trillion and 21.94 million subscribers.

C. Business Rationalization

(1) Alteration and Reorganization of Business Groups

Woori Bank changed its organizational structure to facilitate sales and strengthen sales support functions, implemented a corporate re-organization to expand synergies as a comprehensive financial group, and expanded its risk management units. First, we changed the existing three-part structure into a dual structure such as sales and sales support in order to raise efficiency in decision-making and collaboration at home and abroad by establishing cross-affiliate collaborative systems for sales and sales support (As of Apr. 2019, additional reorganization occurred so please refer to p.244 Organizational Chart). In addition, the Risk Management Group was transferred to fall directly under the purview of the CEO of Woori Bank to ensure stronger autonomy for risk management officers, and the Credit Risk Management Department was launched as an exclusive unit for systematic management of credit risks.

(2) The Voluntary Early Retirement Program and Other Matters

Since 2005, Woori Bank has implemented an Outplacement Services Program that serves as our amended and upgraded ERP program. The Outplacement Services Program (supporting individuals who are exiting the business) aims to resolve the bottleneck in promotions and improve the bank's human resource structure while allowing employees to find new opportunities during the second chapter of their lives. In particular, the bank operates a support center and various programs for employees who plan to change jobs to provide systematic support for a new career or post-retirement life. As of 2018, Outplacement Services Program was provided to a total of 569 employees, improving the bank-wide human resource structure.

D. Asset impairment Losses

Woori Bank recognized impairment losses whenever the book value of securities in equity method decreased by over 30 percent against their acquired values.

(Unit: KRW million)

Category	Item	Loss amount	Cause of loss
Securities in equity method	Saman Corp	242	decreased by over 30% against acquired values.

*Based on the separate standards of the bank

4. Liquidity, Sources & Applications of Fund

A. Liquidity

(Unit: %)

Category	2018 185 th term	2017 184 th term	2016 183 th term
LCR¹⁾ (Including KRW and all other currencies)	103.40	102.06	109.52
Foreign currency LCR²⁾	108.98	103.11	-

1) The figures are calculated based on the average balance of management disclosure as of 4Q for the 185th term; based on the average balance of 4Q in 2018, 2017 and 2016. (Average of the ratio per business day during the term. But the average balance of 4Q of 2016 is the average of the ratio as of the end of each month)

2) Foreign currency LCR was implemented from 2017, and the figures are calculated based on the average balance of 4Q for the 184th term and 185th term.

Woori Bank has managed liquidity levels in compliance with regulatory standards (85% in 2016, 90% in 2017, 95% in 2018, 100% since 2019) under the new liquidity index or LCR (Including KRW and all other currencies) introduced in 2015. The 4Q 2018 average balance stood at 103.40 percent, over the regulatory standard (95%), with the ratio remaining stable.

Foreign currency LCR has been implemented since 2017, and Woori Bank has complied with the regulatory standards (the standards are 60% for 2017, 70% for 2018, and 80% from 2019 onwards). To secure a stable structure in regards to managing foreign currency LCR, we have worked to maintain a higher liquidity level of Foreign Currency LCR than the level required by regulatory standards (70% in 2018), with an average of 108.98 percent in December 2018, by increasing the portion of deposits from our banking customers and securing adequate high quality liquidity assets including U.S. Treasury bills, and etc.

Furthermore, we ensure that the liquidity gap ratio and concentration of funding more than satisfy regulatory guidelines in order to secure a stable funding structure. We also check for excessive shortages of liquid assets through periodic stress testing. If liquidity is lacking due to an unexpected crisis, we execute contingency funding plans and utilize committed lines from overseas financial institutions to acquire liquidity. As such, we establish and manage bank-wide measures to preemptively mitigate and well manage liquidity risks.

B. Sources of Fund

(Unit: KRW million, %)

Item	Fund	2018 185 th term			2017 184 th term			2016 183 th term		
		Average balance	Interest rate	%	Average balance	Interest rate	%	Average balance	Interest rate	%
Funds in KRW	Deposits, installments	197,572,001	1.41	66.67	187,332,008	1.26	66.02	183,440,285	1.38	65.35
	Certificates of deposit	5,039,885	1.97	1.70	4,500,100	1.66	1.59	3,466,223	1.70	1.23
	Borrowings in KRW	6,554,881	1.47	2.21	6,213,903	1.32	2.19	6,709,080	1.45	2.39
	Call money in KRW	221,027	1.50	0.07	1,254,623	1.23	0.44	1,159,188	1.32	0.41
	Others	20,937,173	2.39	7.07	20,168,307	2.29	7.11	18,532,241	2.60	6.60
	Subtotal	230,324,967	1.51	77.73	219,468,941	1.37	77.34	213,307,017	1.50	75.98
Funds in foreign currencies	Deposits in foreign currencies	15,219,710	0.88	5.14	14,338,927	0.51	5.05	14,838,684	0.47	5.29
	Borrowings in foreign currencies	6,458,485	2.13	2.18	7,267,096	1.38	2.56	8,595,575	0.86	3.06
	Call money in foreign currencies	787,171	1.84	0.27	980,001	1.14	0.35	1,401,294	0.70	0.50
	Debentures in foreign currencies	3,669,625	3.96	1.24	3,649,805	3.11	1.29	3,950,614	2.54	1.41
	Others	658,810	0.38	0.22	574,786	0.14	0.20	531,877	0.29	0.19
	Subtotal	26,793,801	1.62	9.04	26,810,615	1.12	9.45	29,318,044	0.87	10.44
Others	Total Equity	20,897,275	-	7.05	20,134,843	-	7.10	19,617,484	-	6.99
	Provisions	433,092	-	0.15	351,750	-	0.12	412,553	-	0.15
	Others	17,876,203	-	6.03	16,993,430	-	5.99	18,070,427	-	6.44
	Subtotal	39,206,571	-	13.23	37,480,023	-	13.21	38,100,463	-	13.57
	Total	296,325,338	1.32	100.00	283,759,580	1.16	100.00	280,725,524	1.23	100.00

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

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

* Interest for calculating interest rates is the sum of interest on deposits and installment deposits and deposit insurance premiums.

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

3) Borrowings in foreign currencies = Borrowings in foreign currencies + dues to BOK in foreign currencies + off-shore borrowings in foreign currencies

4) Debentures in foreign currencies = Debentures issued in foreign currencies + offshore debentures in foreign currencies

5) Excluding merchant banking accounts

The average fund balance sourced by Woori Bank in 2018 stood at KRW 296 trillion, an increase of KRW 12 trillion over the previous year. The average funds in Korean won totaled KRW 230 trillion, mainly sourced by deposits from customers for the stable management of liquidity. As a result, deposits increased by KRW 10 trillion over the previous year, mainly in core deposits and time deposits. We complied with the guidelines by increasing the issuance of certificates of deposit by KRW 0.5 trillion given the increasingly rigorous LCR standards and increasing finance debentures issued in Korean won by KRW 0.8 trillion. In order to respond to the LCR minimum standard, which was raised by 5%p, and changes in the regulations on the loan-to-deposit ratio, we plan to ensure stable management of liquidity through preemptive funding and boost profitability through more robust management of funding and management of portfolios. The average balance of funds in foreign currencies showed a similar trend with previous terms, but in funding, we have reduced financing from the market (borrowings and debentures) and gradually increased deposits in foreign currencies to enhance stability.

Maturity of Major Financial Debts

(Unit: KRW million)

Category Financial liabilities	3 months or less	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities at fair value through profit and loss	191,825	0	0	0	0	0	191,825
Depository	139,983,251	32,838,781	20,969,174	40,220,788	5,701,940	509,189	240,223,123
Borrowings	4,979,142	2,682,745	1,775,656	1,512,857	2,917,566	495,516	14,363,482
Debentures	1,723,882	1,972,348	1,693,796	1,839,700	13,675,096	2,387,717	23,292,539
Other financial liabilities	14,057,046	0	0	0	0	2,182,602	16,239,648
Total	160,947,904	37,493,874	24,438,626	43,573,345	22,294,602	5,552,914	294,301,265

1) Derivative financial liabilities and off-balance accounts (payment guarantees and commitments) are excluded

C. Applications of Fund

(Unit: KRW million, %)

Item	Applications	2018 185 th term			2017 184 th term			2016 183 th term		
		Average balance	Interest rate	%	Average balance	Interest rate	%	Average balance	Interest rate	%
Funds in KRW	Deposits in KRW	3,264,104	1.52	1.10	3,424,567	1.28	1.21	3,171,599	1.34	1.13
	Marketable securities in KRW	35,898,300	2.16	12.11	35,186,537	1.95	12.40	33,880,119	2.58	12.07
	Loans in KRW	203,432,263	3.22	68.65	194,161,817	3.05	68.42	189,079,324	3.10	67.35
	Advance payments on acceptances and guarantees	15,856	1.95	0.01	26,639	3.14	0.01	51,254	0.89	0.02
	Call loans in KRW	1,334,138	1.67	0.45	2,275,748	1.33	0.80	3,581,382	1.41	1.28
	Privately placed bonds	135,856	2.89	0.05	185,092	5.94	0.07	247,292	5.19	0.09
	Credit card receivables	-	-	-	28	-	0.00	24	-	0.00
	Others	5,562,417	2.10	1.88	4,235,478	1.99	1.49	4,580,215	2.04	1.63
	Allowance for doubtful accounts in KRW (-)	(1,197,910)	-	(0.40)	(1,284,188)	-	(0.45)	(1,925,177)	-	(0.69)
Subtotal	248,445,023	3.03	83.84	238,211,718	2.85	83.95	232,666,033	2.98	82.88	
Funds in foreign currencies	Deposits in foreign currencies	3,664,724	1.29	1.24	3,791,184	0.67	1.34	3,761,286	0.43	1.34
	Marketable securities in foreign currencies	3,467,435	1.30	1.17	2,735,707	1.07	0.96	1,752,884	1.13	0.62
	Loans in foreign currencies	11,346,607	3.14	3.83	10,790,442	2.51	3.80	13,371,873	1.95	4.76
	Call loans in foreign currencies	2,365,465	2.07	0.80	2,506,588	1.33	0.88	2,940,858	0.85	1.05
	Bills bought in foreign currencies	7,274,987	2.70	2.46	7,417,500	1.88	2.61	7,110,164	1.53	2.53
	Others	32,665	3.31	0.01	48,472	2.50	0.02	13,829	9.72	0.00
	Allowance for doubtful accounts in foreign currencies (-)	(390,923)	-	(0.13)	(332,301)	-	(0.12)	(312,211)	-	(0.11)
Subtotal	27,760,961	2.50	9.37	26,957,590	1.85	9.50	28,638,685	1.51	10.20	
Others	Cash	1,228,818	-	0.41	1,201,343	-	0.42	1,169,566	-	0.42
	Property, plant and equipment for business	2,353,944	-	0.79	2,352,466	-	0.83	2,325,893	-	0.83
	Others	16,536,592	-	5.58	15,036,463	-	5.30	15,925,347	-	5.67
	Subtotal	20,119,354	-	6.79	18,590,272	-	6.55	19,420,807	-	6.92
Total	296,325,338	2.78	100.0	283,759,580	2.57	100.0	280,725,524	2.62	100.0	

- 1) Deposits in KRW = Deposits in KRW - Reverse deposits with BOK
- 2) Marketable securities in KRW = Marketable securities in KRW + Loaned securities in KRW * Interest for calculating interest rates = Securities interest (including dividend received) + Evaluation profit (net) + Gain on redemption of securities (net) + Portion excluding the gain from stock transactions (net) out of gains on sales of securities
- 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
- 4) Deposits in foreign currencies = Deposits in foreign currencies + Offshore deposits in foreign currencies
- 5) Interest on securities in foreign currencies = Interest on securities in foreign currency + Loaned securities in foreign currencies * Interest for calculating interest rates = Securities interests (including dividend received) + Evaluation profit (net) + Gain on redemption of securities (net) + Portion excluding the gain from stock transactions (net) out of gains on sales of securities
- 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
- 7) Cash = Cash - Total checks & bills in the process of collection
- 8) Property, plant and equipment for business = Property, plant, and equipment for business - Accumulated depreciation
- 9) Based on K-IFRS financial statements
- 10) Excluding merchant banking accounts

The average fund balance managed by Woori Bank in 2018 stood at KRW 248.4 trillion, an increase of KRW 10.2 trillion over the previous year due to an increase of loans in Korean won by KRW 9.3 trillion. Out of all loans in Korean won, household loans increased by KRW 4.5 trillion, while corporate loans increased by KRW 5 trillion. Since the Bank of Korea increased the base rate in November 2017, the yields for loans in Korean won went up 17bp. Assets in foreign currency increased by KRW 0.8 trillion from the previous year to KRW 27.8 trillion, which is attributable to the increase of KRW 0.5 trillion and KRW 0.7 trillion in loans in foreign currency and securities, respectively. Woori Bank will continuously strive to comply with the liquidity guidelines (for loan-to-deposit ratio, LCR, etc.) and ensure a stable management structure.

5. Off-Balance Sheet Activities

(Unit: KRW million)

Category		2018 185 th term	2017 184 th term
Payment guarantees	Confirmed guarantees	7,108,365	6,875,021
	Unconfirmed guarantees	4,297,465	4,526,593
	CP purchase commitments and others	1,260,587	1,458,101
Commitments	Loan agreements	97,796,704	80,760,325
	Other agreements	5,041,314	4,546,090

For off-balance sheet activities, please refer to 'Note 44. Contingent Liabilities and Commitments' in III. Matters on Financials / 3. Notes for Consolidated Financial Statements and 5. Notes for Financial Statements in this report.

6. Other Issues Required for Making Investment Decisions

A. Matters on Key Accounting Policies and Changes in Estimates

Please refer to Business Report 2018 submitted to Financial Supervisory Service (dart.fss.or.kr) or U.S. Securities and Exchange Commission (sec.gov) on 1 Apr. 2019. 'Note 2. Standards applied in the preparation of Consolidated Financial Standards and Key Accounting Policies' and 'Note 3. Key Accounting Estimates and Assumptions' in [III. Matters on Finance / 3. Note on Consolidated Financial Statements and 5. Note on Financial Statements].

B. Environmental Impact and Employees

(1) Environmental Impact

As a financial service provider, Woori Bank's banking and trusts businesses do not have an environmentally destructive impact. Therefore, the bank is neither currently paying nor is likely to have to pay any environmental restoration ("remediation") or damage compensation expenses in the future. It has not been and is not likely to be subject to administrative measures by the government or environmental authorities. Woori Bank, however, has been designated as a company subject to premise control under Paragraph 5, Article 42 of the Framework Act on Low-Carbon, Green Growth. Accordingly, the Bank has reported to the government its greenhouse gas emissions and energy consumption. Please refer to Business Report 2018 XI. Other Issues Required for Protecting Investors / 3. Environmental Sanctions, and etc. / (vi) Green Management Issues.

(2) Employees and Other Matters

Woori Bank draws up a human resources plan based on changes in the management environment and bank-wide strategic directions. We preemptively respond to expected mid- and long-term personnel shifts. While our continued recruitment and CDP control secure experts in corporate business, our in-house training of human resources will help us become leaders in the global and fintech businesses and build up the best human resource pool in the financial sector. Meanwhile, as of the end of 2018, our regular employees consist of business unit and group heads (26%), managers (26%), and clerks or lower-level employees (47%), maintaining HR in a pyramid structure. To build a culture that pursues work-life-balance, we introduced in advance weekly 52 working-hour system in Oct. 2018.

C. Matters on Statutory Regulations

Woori Bank is subject to laws and regulations in maintaining soundness as a bank and performing social responsibilities because it conducts financial arrangements and monetary and credit policies. Please refer to [I. Outline of the Company] in Business Report 2018 as for the applicable laws for doing business. Other statutory regulations which Woori Bank is subject to are: Personal Information Protection Act, Registration of Bonds and Debentures Act, Special Act on Public Fund Management, Fair Trade Act, Act on Prohibition against Financing of Terrorism, Act on Employee Retirement Benefits, Act on Real Name Financial Transactions and Guarantee of Secrecy, Act on Improving Structure of the Financial Industry, Act on Establishment of the Financial Services Commission, etc., Act on Corporate Governance of Financial Companies, Act on Promotion of Corporate Restructuring, Act on Confiscation of Proceeds of Crime, Insurance Business Act, Real Estate Investment Company Act, Private Investment Act on Infrastructure, Income Tax Act, Corporate Tax Act, Act on Promissory Notes, Telecommunications Business Act, Electronic Signature Act, Act on Issuance and Distribution of Electronic Promissory Notes, Electronic Government Act, Act on the Protection of Information Communications Infrastructure, Act on Promotion of the Information Communications Industry, Restriction of Special Taxation Act, Special Purpose Companies for Mortgage-Backed Bonds Act, Basic Act on Small and Medium-sized Companies, Local Financial Act, Protection of Communications Secrets Act, Act on Reporting of Special Financial Transactions and Korea Finance Housing Corporate Act and its relevant subordinate regulations, etc.

D. Derivatives and Risk Management Policy

(1) Derivatives

Woori Bank trades derivatives mainly for corporate clients. Our corporate clients are exposed to risks including rises in interest rates and fluctuations in the stock market and exchange rates. Accordingly, there is a need to hedge against any of these risks. While we offer diverse derivative products to satisfy the hedging needs of corporate clients, we also offer products to hedge against the interest rate and foreign currency risks incurring from managing our assets and liabilities. The trading balance of our derivatives transactions was KRW 232,663 billion in 2016, KRW 267,430 billion in 2017, and KRW 324,071 billion in 2018.

The following are Woori Bank's major derivative instruments:

- Interest rate swaps, options, and futures related to interest rate risks
- Index futures and options related to stock market fluctuations
- Currency forwards, swaps, options, and futures related to currency risks
- Derivatives offered to clients who would like to avoid the price risks associated with raw materials

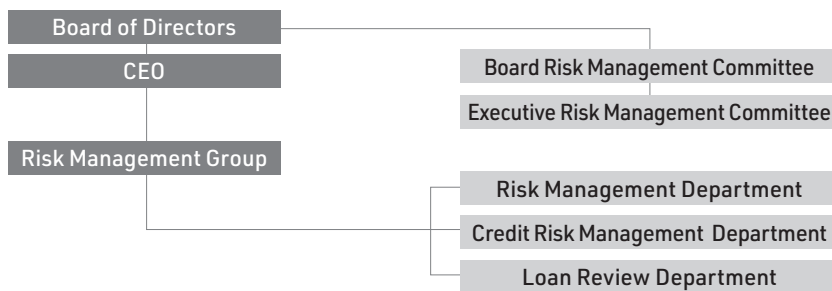
(2) Risk Management Policy

1) Overview

(A) Objective

The objective of risk management is to identify the sources of risks and measure the scale and adequacy of the bank's response to make and implement decisions to avert or mitigate the risks, thereby enhancing the soundness of the bank's investments and holdings.

(B) Risk Management Organization



① Board Risk Management Committee

- Top decision-making body for risk management
- Organization Members: Three outside directors and one non-standing director
- Major items for resolution
 - Establishment of the basic risk management strategy
 - Credit line approval and capital allocation
- Meeting cycle: Quarterly

② Executive Risk Management Committee

- Organization Members: Head of the Business Support Unit (Chairman), six heads of business groups
- Major items for resolution
 - Deliberation of risks regarding new products
 - Decisions regarding the standard of bank's internal interest rates
 - Planning & forecasting the liquidity funding (liquidity management)
- Meeting cycle: Monthly and when necessary

(C) Risk Management Strategy & Procedures

① Strategy

While eliminating excess risks and managing an adequate level of risk, we maximize our profit to risk ratio, pursuing asset soundness and profitability at the same time.

② Procedures

- Risk recognition: We analyze various sources of risks possibly associated with the bank's business activities
- Risk measurement/assessment: We determine risk measurement methods by risk type and measure the scale of risks using our measuring system, assessing the adequacy of the scale afterward.
- Risk control: We control risks in our daily, monthly and quarterly reports to avert/mitigate risks or maintain risks at adequate levels.
- Risk monitoring & reports: We continuously monitor risk levels and define the channels, content, and cycles of reporting to respond to risk situations properly.

2) Credit Risk

(A) Definition

Credit risk represents 'the potential financial losses that can incur to the Bank when the counterparty becomes insolvent or rejects transactions within the period provided in the contract.' The goal of credit risk management is to maintain the bank's credit risk exposure to a permissible degree and to optimize its rate of return considering such credit risk.

(B) Management Methods

We manage credit lines, aggregation, total exposure, and portfolios so that we can calculate and control adequate credit lines by aggregation, company, and industry as we handle loans.

- Aggregation management: We aggregate the exposures of borrowers who share credit risks and put them under a single credit risk aggregation management system to control the bank's potential exposure to credit risks.
- Total exposure management: To prevent a concentration of loans, we calculate corporate value based on future cash flow and set the ceilings per borrower within the borrower's repayment capacity from operating revenues

3) Operational Risk

(A) Definition

We define operational risks as the potential risks of loss that can result from inadequate internal processes, personnel and systematic factors, as well as external factors

(B) Operational Risk Management Method

To reinforce competitiveness, reduce the amount of risk capital, enhance operational risk management competencies, and prevent any unexpected incidents, Woori Bank has established an operational risk management system 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 was submitted to the Financial Supervisory Service (FSS) and obtained FSS approval in June 2009, coming into effect on June 30.

① Operational Risk Management Tools

While Woori Bank applies an advanced method of measuring operational risk capital levels, its consolidated subsidiaries take a basic indicator approach for measurement.

- Risk Self-Assessment (RSA): RSA refers to a series of risk management activities that allow self-identification and self-assessment of material operational risks and related control activities, to enable the bank to respond with measures to eliminate or improve such risks.
- Key Risk Indicators (KRI): KRIs are used for identifying and monitoring risks and tracking operational risk trends.
- Loss data: Woori Bank has built a systemic framework for 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 accumulated loss data, making it difficult to take a statistical approach. To measure such operational risks, we forecast potential loss amounts and the annual frequency of operational risk events based on diverse information sources such as internal data, external data, and the opinions of our experts working at each department and branch.
- Business Continuity Plan (BCP): Woori Bank has a set of business continuity plans in place for its organizational structure, risk assessment, business impact analysis, an alternate location for continued business operations, and drills so that it can restore and continue core business operations in the event of cessation of operations due to unexpected factors like disasters and calamities.

② Operational Risk Measurement

While Woori Bank applies an advanced method of measuring operational risk capital levels, its consolidated subsidiaries take a basic indicator approach for measurement.

- The basic indicator approach sets 15 percent of the Bank's total income as operational risk capital.
- The advanced measurement approach takes a 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 added a back-office 'support' sector that is a common bank-wide function, setting a 9X7 matrix as the measuring unit for operational risk capital. We calculate the operational risk capital in consideration of all four basic factors (internal data, external data, scenarios, business environment, and internal control factors).
- Woori Bank does not rely on insurance to mitigate its operational risk capital.

4) Market Risk

(A) Definition

Market risks refer to potential losses that can 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 volatility related to events that have an impact on all markets, such as interest rates, stock prices, and exchange rates. Individual risks are losses from price volatility related to individual events by the issuer of bonds, stocks, and other securities.

(B) Market Risk Management

Market risk management refers to the entire process of identifying the sources of risks by risk factor on the trading sector, measuring the scale of market risks, and assessing the adequacy of the scale in order to make decisions to avert, take or mitigate risks.

We use both a standard approach and an 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 an internal model approved by the FSS, Woori Bank uses the historical simulation method at a 99 percent confidence level, once every 10 days, to measure Value at Risk (VaR) and calculate the market risk capital charge to compute the BIS ratio. For internal control purposes, we control 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 VaR limits, loss limits and risk capital limits, are managed by business groups, departments or teams, while Board Risk Management Committee sets the risk type and unit annually. Limits for subordinate units, excluding the derivatives books, are set by position-related departments within given limits. Compliance with limits is monitored by the Risk Management Department independently from working-level departments, and the monitoring reports are submitted to Executive 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, a goal that can be achieved by the effective management of a liquidity crunch due to the disparity in the maturity of assets and liabilities or unexpected outflow of funds. Therefore, derivative products that involve off-balance account cash flow, 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 cash flow statements by time group (remaining maturities or contract periods), grouping assets and liabilities according to a different ALM chart of accounts. Based on the outcomes, we maintain the gap ratios within predetermined target ratios (limits).

Our daily ALM system allows business groups to look up maturity classification reports while providing daily liquidity ratios for identifying liquidity risk management indicators and status at related departments.

② **Actions in Response to Basel III**

We use the Basel III liquidity standards management system to calculate and control the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) on a daily or monthly basis. We provide relevant information according to the disclosure standards imposed by the Basel Committee on Banking Supervision (BCBS).

③ **Actions in Response to Basel III**

To effectively respond to capital outflow and funding risks arising from abrupt and unforeseeable changes in market environments, we have prepared bank-wide contingency plans to conduct regular monitoring of various checkpoints related to liquidity risks on a daily or weekly basis.

INDEPENDENT AUDITORS' REPORT

English Translation of a Report Originally Issued in Korean on March 19, 2019

INDEPENDENT AUDITORS' REPORT

English Translation of a Report Originally Issued in Korean on March 19, 2019

To the Shareholders and the Board of Directors of Woori Bank

Report on the Audited Consolidated Financial Statements

Our Opinion

We have audited the accompanying consolidated financial statements of Woori Bank and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2018 and December 31, 2017, respectively, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows, for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2018 and December 31, 2017, respectively, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Audit Opinion

We conducted our audits in accordance with the Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the *Auditors Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in the Republic of Korea as required by prevailing audit regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

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Allowance for credit loss in accordance with K-IFRS 1109 'Financial Instruments'

Key audit matter description

As a result of the adoption of K-IFRS 1109 in the current year, the Group estimates and records an allowance for loans based on expected credit losses, as opposed to the previous method based on incurred credit losses under K-IFRS 1039 as described in notes 2, 3, 4 and 10. In order to estimate expected credit losses, the Group segregated its portfolio in retail, corporate and credit card loans. With the exception of a portion of the corporate loan book comprised of individually significant loans (amortized cost of KRW 875,791 million), the Group measures all portfolios (amortized cost of KRW 261,722,202 million) based on a collective assessment methodology. Both the collective and individual impairment methodologies in the amounts of KRW 1,402,408 million and KRW 375,668 million, respectively, must consider historical losses adjusted for forward looking information and include multiple scenarios for macroeconomic factors. The allowance for certain loans is measured, at least in part, based on the valuation of collaterals which must take into account an expectation of when and for how much the collateral will be sold.

There was a significant amount of judgment required by management when determining the appropriateness of the forward looking and macroeconomic information used in the calculation of the expected losses in its loan portfolio.

Given the level of subjectivity and judgment, auditing the estimated allowance for loan losses involved especially complex and subjective judgment.

How the scope of our audit responded to the key audit matter

Our audit procedures related to the assumptions and unobservable inputs used by management for the estimate of impaired loans including the following:

- We tested the design and effectiveness of controls over the appropriateness of the cash-flows estimated to be collected in individually significant loans, including the estimates of collateral values.
- We tested the design and effectiveness of the controls over the appropriateness of the models used to determine the calculation of the allowance for loan losses for collectively assessed loans and most importantly the determination of the relevant model and assumptions to incorporate forward looking and macro-economic information
- We used our credit specialists to assist us in challenging the reasonableness of the methodologies and inputs used in the calculation of the allowance for loan losses for collectively assessed loans, most importantly in determining the appropriateness of forward looking and macro-economic scenarios used by management
- We reperformed the calculation of the collective allowance taking into account forward looking and macroeconomic information determined to be appropriate in consultation with our credit specialists.

- We selected samples of loans subject to individual assessments and performed the following:
 - ✓ Independently estimated future operating cash flows from borrowers with significant loans outstanding to determine the available cash flows to repay the loans.
 - ✓ With assistance of our appraisal specialists, evaluated the reasonableness of cash flow estimates based on the future sale of collateral.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with K-IFRS, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management of the Group is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We are solely responsible for our audit opinion.

We communicate with the audit committee of the Group regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the Group with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Deloitte Idnjtn LLC

March 19, 2019

Notice to Readers

This report is effective as of March 19, 2019 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, 2018 AND 2017

	December 31, 2018 (*)	December 31, 2017 (*)
(Korean Won in millions)		
ASSETS		
Cash and cash equivalents (Note 6)	6,712,623	6,908,286
Financial assets at fair value through profit or loss (“FVTPL”) (K-IFRS 1109) (Notes 4, 7, 11, 12 and 26)	6,126,183	-
Financial assets at FVTPL (K-IFRS 1039) (Notes 4, 7, 11, 12, 18 and 26)	-	5,843,077
Financial assets at financial assets at fair value through other comprehensive income (“FVTOCI”) (Notes 4, 8, 11, 12, and 18)	18,063,423	-
Available-for-sale (“AFS”) financial assets (Notes 4,8,11,12 and 18)	-	15,352,950
Securities at amortized cost (Notes 4, 9, 11, 12 and 18)	22,932,559	-
Held to maturity (“HTM”) financial assets (Notes 4, 9, 11, 12 and 18)	-	16,749,296
Loans and other financial assets at amortized cost (Notes 4, 10, 11, 12, 18 and 45)	282,448,315	-
Loans and receivables (Notes 4,10,11,12,18 and 45)	-	267,106,204
Investments in joint ventures and associates (Note 13)	361,427	417,051
Investment properties (Note 14)	378,069	371,301
Premises and equipment (Notes 15 and 18)	2,441,141	2,477,545
Intangible assets and goodwill (Note 16)	587,255	518,599
Assets held for distribution (sale) (Note 17)	93,502	48,624
Current tax assets (Note 42)	20,488	4,722
Deferred tax assets (Note 42)	49,863	280,130
Derivative assets (Designated for hedging) (Notes 4,11,12 and 26)	35,503	59,272
Other assets (Notes 19 and 45)	196,832	158,404
Total assets	340,447,183	316,295,461
LIABILITIES		
Financial liabilities at FVTPL (K-IFRS 1109) (Notes 4, 11, 12, 20 and 26)	2,282,686	-
Financial liabilities at FVTPL (K-IFRS 1039) (Notes 4, 11, 12, 20 and 26)	-	3,427,909
Deposits due to customers (Notes 4,11,21 and 45)	248,690,939	234,695,084
Borrowings (Notes 4, 11, 12 and 22)	16,202,986	14,784,706
Debentures (Notes 4, 11 and 22)	28,725,862	27,869,651
Provisions (Notes 23, 44 and 45)	389,862	410,470
Net defined benefit liability (Note 24)	138,682	43,264
Liabilities of a disposal group classified as held for distribution (Note 17)	72,660	-
Current tax liabilities (Note 42)	156,559	232,600
Deferred tax liabilities (Note 42)	18,156	22,681
Derivative liabilities (Designated for hedging) (Notes 4,11,12 and 26)	51,408	67,754
Other financial liabilities (Notes 4,11,12, 25 and 45)	21,426,064	13,892,461
Other liabilities (Notes 25 and 45)	338,275	283,981
Total liabilities	318,494,139	295,730,561

(Continued)

WOORI BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2018 AND 2017 (CONTINUED)

	December 31, 2018 (*)	December 31, 2017 (*)
	(Korean Won in millions)	
EQUITY		
Owners' equity:	21,739,931	20,365,892
Capital stock (Note 28)	3,381,392	3,381,392
Hybrid securities (Note 29)	3,161,963	3,017,888
Capital surplus (Note 28)	285,889	285,880
Other equity (Note 30)	(2,213,970)	(1,939,274)
Retained earnings and other reserves (Notes 31 and 32)		
(Regulatory reserve for credit loss as of December 31, 2018 and 2017 is 2,578,457 million Won and 2,438,191 million Won, respectively		
Regulatory reserve for credit loss to be reversed (reserved) as of December 31, 2018 and 2017 is 222,211 million Won and (-)140,266 million Won, respectively		
Planned provision reversed(reserved) of regulatory reserve for credit loss as of December 31, 2018 and 2017 is 222,211 million Won and (-)140,266 million Won, respectively	17,124,657	15,620,006
Non-controlling interests	213,113	199,008
Total equity	21,953,044	20,564,900
Total liabilities and equity	340,447,183	316,295,461

(*) The consolidated statements of financial position as of December 31, 2018 was prepared in accordance with K-IFRS 1109; however, the comparative consolidated statements of financial position as of December 31, 2017 was not retrospectively restated in accordance with K-IFRS 1109.

See accompanying notes

WOORI BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018(*)	2017(*)
	(Korean Won in millions, except for per share data)	
Interest income	9,684,499	8,550,687
Financial assets at FVTPL (K-IFRS 1109)	54,243	-
Financial assets at FVTOCI	280,371	-
Financial assets at amortized cost	9,349,885	-
Financial assets at FVTPL (K-IFRS 1039)	-	53,348
AFS financial assets	-	239,030
HTM financial assets	-	307,965
Loans and receivables	-	7,950,344
Interest expense	(4,033,548)	(3,330,037)
Net interest income (Notes 11, 34 and 45)	5,650,951	5,220,650
Fees and commissions income	1,680,764	2,069,198
Fees and commissions expense	(610,790)	(998,732)
Net fees and commissions income (Notes 11, 35 and 45)	1,069,974	1,070,466
Dividend income (Notes 36 and 45)	90,552	124,992
Net gain on financial instruments at FVTPL (K-IFRS 1109) (Notes 11, 37 and 45)	214,443	-
Net loss on financial instruments at FVTPL (K-IFRS 1039) (Notes 11, 37 and 45)	-	(104,827)
Net gain on financial assets at FVTOCI (Notes 11 and 38)	2,047	-
Net gain on AFS financial assets (Notes 11 and 38)	-	192,708
Net gain on disposals of financial assets at amortized cost (Note 11)	79,532	-
Net gain on disposals of securities at amortized cost	431	-
Net gain on disposals of loans and other financial assets at amortized cost	79,101	-
Impairment losses due to credit loss (Notes 11, 39 and 45)	(329,574)	(785,133)
General and administrative expenses (Notes 40 and 45)	(3,624,033)	(3,530,801)
Other net operating expenses (Notes 40 and 45)	(394,591)	(31,313)
Operating income	2,759,301	2,156,742
Share of gain(loss) on subsidiaries and associates (Note 13)	3,019	(101,514)
Net other non-operating income(expense)	42,552	(105,722)
Non-operating income(expense) (Note 41)	45,571	(207,236)
Net income before income tax expense	2,804,872	1,949,506
Income tax expense (Note 42)	(753,223)	(419,418)

(Continued)

WOORI BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR YEARS ENDED DECEMBER 31, 2018 AND 2017 (CONTINUED)

	2018(*)	2017(*)
	(Korean Won in millions, except for per share data)	
Net income		
(Net income after the provision for regulatory reserve for credit loss for the years ended December 31, 2018 and 2017, is 2,010,774 million won and 1,389,822 million won, respectively) (Note 32)	2,051,649	1,530,088
Net loss on valuation of equity securities at FVTOCI	(30,855)	-
Net gain on valuation of financial liabilities designated as at FVTPL due to own credit risk	100	-
Items out of share of other comprehensive gain of joint ventures and associates that will not be reclassified to profit or loss	-	(2,993)
Remeasurement gain (loss) related to defined benefit plan	(71,432)	10,497
Other comprehensive income related to assets held for distribution	(13,197)	-
Items that will not be reclassified to profit or loss	(115,384)	7,504
Net gain on valuation of debt securities at FVTOCI	33,360	-
Net loss on valuation of AFS financial assets	-	(84,498)
Share of other comprehensive gain of joint ventures and associates	2,958	3,605
Net loss on foreign currency translation of foreign operations	(4,379)	(208,329)
Net gain (loss) on valuation of cash flow hedge	(4,646)	777
Other comprehensive income related to assets held for sale	(4,145)	4,145
Items that may be reclassified to profit or loss	23,148	(284,300)
Other comprehensive loss, net of tax	(92,236)	(276,796)
Total comprehensive income	1,959,413	1,253,292
Net income attributable to:		
Net income attributable to shareholders	2,033,182	1,512,148
Net income attributable to non-controlling interests	18,467	17,940
Total comprehensive income attributable to:		
Comprehensive income attributable to shareholders	1,943,885	1,249,057
Comprehensive income attributable to non-controlling interests	15,528	4,235
Net income per share (Note 43)		
Basic and diluted earnings per share (In Korean Won)	2,796	1,999

(*) The consolidated statements of comprehensive income for the year ended December 31, 2018 was prepared in accordance with K-IFRS 1109; however, the comparative consolidated statements of comprehensive income for the year ended December 31, 2017 was not retrospectively restated in accordance with K-IFRS 1109.

See accompanying notes

WOORI BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR YEARS ENDED DECEMBER 31, 2018 AND 2017

	Capital Stock	Hybrid securities	Capital surplus	Other equity (Korean Won in millions)	Retained earnings and other reserves	Owners' equity	Non- controlling interests	Total equity
January 1, 2017	3,381,392	3,574,896	286,331	(1,468,025)	14,611,566	20,386,160	159,793	20,545,953
Net income	-	-	-	-	1,512,148	1,512,148	17,940	1,530,088
Dividends to common stocks	-	-	-	-	(336,636)	(336,636)	(1,554)	(338,190)
Capital increase of subsidiaries	-	-	(451)	-	-	(451)	36,534	36,083
Net gain (loss) on valuation of available-for-sale financial assets	-	-	-	(85,051)	-	(85,051)	553	(84,498)
Changes in equity of joint ventures and associates	-	-	-	612	-	612	-	612
Loss on foreign currency translation of foreign operations	-	-	-	(194,347)	-	(194,347)	(13,982)	(208,329)
Gain on valuation of cash flow hedge	-	-	-	777	-	777	-	777
Remeasurement gain (loss) related to defined benefit plan	-	-	-	10,773	-	10,773	(276)	10,497
Other comprehensive income related to assets held for sale	-	-	-	4,145	-	4,145	-	4,145
Dividends to hybrid securities	-	-	-	-	(167,072)	(167,072)	-	(167,072)
Issuance of hybrid securities	-	559,565	-	-	-	559,565	-	559,565
Redemption of hybrid securities	-	(1,116,573)	-	(208,158)	-	(1,324,731)	-	(1,324,731)
December 31, 2017 (*)	3,381,392	3,017,888	285,880	(1,939,274)	15,620,006	20,365,892	199,008	20,564,900
January 1, 2018	3,381,392	3,017,888	285,880	(1,939,274)	15,620,006	20,365,892	199,008	20,564,900
Cumulative effect of change in accounting policy (Note 2)	-	-	-	(392,176)	177,091	(215,085)	723	(214,362)
Adjusted balance, beginning of period	3,381,392	3,017,888	285,880	(2,331,450)	15,797,097	20,150,807	199,731	20,350,538
Net income	-	-	-	-	2,033,182	2,033,182	18,467	2,051,649
Dividends to common stocks	-	-	-	-	(336,636)	(336,636)	(2,128)	(338,764)
Capital decrease of subsidiaries	-	-	9	-	-	9	(18)	(9)
Net gain on valuation of financial liabilities designated as at FVTPL due to own credit risk	-	-	-	100	-	100	-	100
Changes in other comprehensive income due to redemption of financial liabilities designated as at FVTPL	-	-	-	(4)	4	-	-	-
Net gain (loss) on valuation of financial assets at FVTOCI	-	-	-	2,733	-	2,733	(228)	2,505
Changes in other comprehensive income due to disposal of equity securities at FVTOCI	-	-	-	(1,009)	1,009	-	-	-
Share of other comprehensive gain of joint ventures and associates	-	-	-	2,958	(10,647)	(7,689)	-	(7,689)
Loss on foreign currency translation of foreign operations	-	-	-	(1,929)	-	(1,929)	(2,450)	(4,379)
Loss on valuation of cash flow hedge	-	-	-	(4,646)	-	(4,646)	-	(4,646)
Remeasurement loss related to defined benefit plan	-	-	-	(71,171)	-	(71,171)	(261)	(71,432)
Other comprehensive income related to assets held for distribution (sale)	-	-	-	(17,342)	-	(17,342)	-	(17,342)
Dividends to hybrid securities	-	-	-	-	(151,194)	(151,194)	-	(151,194)
Issuance of hybrid securities	-	398,707	-	-	-	398,707	-	398,707
Redemption of hybrid securities	-	(254,632)	-	(368)	-	(255,000)	-	(255,000)
Appropriation of retained earnings	-	-	-	208,158	(208,158)	-	-	-
December 31, 2018 (*)	3,381,392	3,161,963	285,889	(2,213,970)	17,124,657	21,739,931	213,113	21,953,044

(*) The consolidated statements of changes in equity for the year ended December 31, 2018 was prepared in accordance with K-IFRS 1109; however, the comparative consolidated statements of changes in equity for the year ended December 31, 2017 was not retrospectively restated in accordance with K-IFRS 1109.

See accompanying notes

WOORI BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018 (*)	2017 (*)
	(Korean Won in millions)	
Cash flows from operating activities:		
Net income	2,051,649	1,530,088
Adjustments to net income:		
Income tax expense	753,223	419,418
Interest income	(9,684,499)	(8,550,687)
Interest expense	4,033,548	3,330,037
Dividend income	(90,552)	(124,992)
	<u>(4,988,280)</u>	<u>(4,926,224)</u>
Additions of expenses not involving cash outflows:		
Impairment losses due to credit loss	329,574	785,133
Loss on valuation of financial instruments at FVTPL	-	15,267
Loss on financial assets at FVTOCI	1,053	-
Share of losses of investments in joint ventures and associates	22,772	185,020
Loss on disposal of investments in joint ventures and associates	2,931	38,713
Loss on transaction and valuation of derivatives (Designated for hedging)	36,483	109,569
Loss on hedged items (fair value hedge)	17,299	-
Loss on provision	28,350	107,028
Retirement benefits	142,712	142,902
Depreciation and amortization	272,550	235,795
Loss on disposal of premises and equipment, intangible assets and other assets	1,160	9,994
Impairment loss on premises and equipment, intangible assets and other assets	87	390
	<u>854,971</u>	<u>1,629,811</u>
Deductions of income not involving cash inflows:		
Gain on valuation of financial assets at FVTPL (K-IFRS 1109)	215,711	-
Gain on redemption of debentures	1,597	-
Gain on financial assets at FVTOCI	3,100	-
Gain on AFS financial assets	-	192,708
Gain on disposal of securities at amortized cost	431	-
Share of gains of investments in joint ventures and associates	25,791	83,506
Gain on disposal of investments in joint ventures and associates	50,511	39,932
Gain on transaction and valuation of derivatives (Designated for hedging)	35,810	122
Gain on hedged items (fair value hedge)	42,797	53,532
Reversal on provisions	2,014	2,567
Gain on disposal of premises and equipment, intangible assets and other assets	30,278	5,028
Reversal of impairment loss on premises and equipment, intangible assets and other assets	761	666
	<u>408,801</u>	<u>378,061</u>
Changes in operating assets and liabilities:		
Financial assets at FVTPL (K-IFRS 1109)	670,872	-
Financial instruments at FVTPL (K-IFRS 1039)	-	(583,068)
Loans and other financial assets at amortized cost	(15,754,102)	-
Loans and receivables	-	(9,647,563)
Other assets	32,328	35,953
Deposits due to customers	13,995,747	13,634,873
Provisions	(11,920)	(122,711)
Net defined benefit liability	(135,313)	(46,789)
Other financial liabilities	7,411,753	(7,966,786)
Other liabilities	89,399	(27,550)
	<u>6,298,764</u>	<u>(4,723,641)</u>
Cash received from operating activities:		
Interest income received	9,617,307	8,570,715
Interest expense paid	(3,847,411)	(3,404,608)
Dividends received	90,651	127,343
Income tax paid	(544,058)	(404,428)
	<u>5,316,489</u>	<u>4,889,022</u>
Net cash provided by(used in) operating activities	<u>9,124,792</u>	<u>(1,979,005)</u>

(Continued)

WOORI BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (CONTINUED)

	2018 (*)	2017 (*)
	(Korean Won in millions)	
Cash flows from investing activities:		
Cash in-flows from investing activities:		
Disposal of financial assets at FVTPL (K-IFRS 1109)	11,919,335	-
Disposal of financial assets at FVTOCI	9,146,307	-
Disposal of AFS financial assets	-	24,912,752
Redemption of securities at amortized cost	9,426,757	-
Redemption of HTM financial assets	-	8,587,092
Disposal of investments in joint ventures and associates	51,435	70,180
Disposal of subsidiaries	-	203
Disposal of investment properties	3,512	418
Disposal of premises and equipment	5,545	7,428
Disposal of intangible assets	9,199	1,188
Disposal of assets held for distribution (sale)	80,347	24,808
	<u>30,642,437</u>	<u>33,604,069</u>
Cash out-flows from investing activities:		
Net cash in-flows of business combination	134,967	-
Acquisition of financial assets at FVTPL (K-IFRS 1109)	12,322,160	-
Acquisition of financial assets at FVTOCI	13,275,429	-
Acquisition of AFS financial assets	-	19,674,346
Acquisition of securities at amortized cost	15,622,847	-
Acquisition of HTM financial assets	-	11,521,065
Acquisition of investments in joint ventures and associates	48,272	143,161
Acquisition of investment properties	15,195	9,872
Acquisition of premises and equipment	118,668	162,245
Acquisition of intangible assets	176,067	195,929
Cash out-flow related to derivatives designated for hedging	-	13,742
	<u>41,713,605</u>	<u>31,720,360</u>
Net cash provided by(used in) investing activities	<u>(11,071,168)</u>	<u>1,883,709</u>
Cash flows from financing activities:		
Cash in-flows from financing activities:		
Increase in borrowings	9,606,126	9,057,999
Issuance of debentures	21,505,849	18,438,221
Issuance of hybrid securities	398,707	559,565
Capital increase of subsidiaries	-	35,841
	<u>31,510,682</u>	<u>28,091,626</u>
Cash out-flows from financing activities:		
Repayment of borrowings	8,349,005	12,692,883
Repayment of debentures	20,903,518	13,620,520
Payment of dividends to common stocks	336,636	336,636
Dividends paid on hybrid securities	147,625	177,730
Redemption of hybrid securities	255,000	1,323,400
Dividends paid on non-controlling interests	2,128	1,554
	<u>29,993,912</u>	<u>28,152,723</u>
Net cash provided by(used in) financing activities	<u>1,516,770</u>	<u>(61,097)</u>
Net decrease in cash and cash equivalents	(429,606)	(156,393)
Cash and cash equivalents, beginning of the period	6,908,286	7,591,324
Effects of exchange rate changes on cash and cash equivalents	233,943	(526,645)
Cash and cash equivalents, end of the period (Note 6)	<u>6,712,623</u>	<u>6,908,286</u>

(*) The consolidated statements of cash flows for the year ended December 31, 2018 was prepared in accordance with K-IFRS 1109; however, the comparative consolidated statements of cash flows for the year ended December 31, 2017 was not retrospectively restated to apply K-IFRS 1109.

See accompanying notes

WOORI BANK AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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 Act, trust business and foreign exchange business under the Financial Investment Services and Capital Market Act (hereinafter referred to as the “Capital Market Act”).

Previously, Woori Finance Holdings Co., Ltd. (established on March 27, 2001 in accordance with Financial Holding Companies Act), the former holding company of Woori Financial Group, held a 100% ownership of the Bank. Effective November 1, 2014, Woori Finance Holdings Co., Ltd. completed its merger (the “Merger”) with and into the Bank. Accordingly, the shares of the Bank, 597 million shares, prior to the merger, was reduced to nil in accordance with capital reduction procedure, and then, in accordance with the merger ratio, the Bank newly issued 676 million shares. As a result, the paid-in capital of the Bank as of December 31, 2018 is capital stock amounting to 3,381,392 million Korean Won. Meanwhile, 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”. In addition to the sale, during the year ended December 31, 2017, KDIC sold additional 33 million shares. As a result, KDIC holds 125 million shares (18.43% ownership interest) of the Bank as of December 31, 2018 and 2017, and is the majority shareholder of the Bank.

On June 24, 2002, Woori Finance Holdings Co., Ltd. listed its common stock on the Korea Exchange through public offering. In addition, on September 29, 2003, Woori Finance Holdings Co., Ltd. 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 Woori Finance Holdings Co., Ltd. was merged into the Bank, the Bank, which is the existing company, succeeded such rights and obligations as a listed company on the Korea Exchange and 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 headquarters of the Bank is located at 51, Sogong-ro, Jung-gu, Seoul, Korea. The Bank has 877 branches and offices in Korea, and 23 branches and offices overseas as of December 31, 2018.

- (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 (2018)
		December 31, 2018	December 31, 2017		
Woori Bank:					
Woori FIS Co., Ltd.	System software development & maintenance	100.0	100.0	Korea	December 31
Woori Private Equity Asset Management Co., Ltd.	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	59.8	59.8	Korea	December 31
Woori Credit Information Co., Ltd.	Credit information	100.0	100.0	Korea	December 31
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
AO Woori Bank	"	100.0	100.0	Russia	December 31
PT Bank Woori Saudara Indonesia 1906 Tbk	"	79.9	79.9	Indonesia	December 31
Banco Woori Bank do Brasil S.A.	"	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 PLC.	"	100.0	100.0	Cambodia	December 31
Woori Finance Myanmar Co., Ltd.	"	100.0	100.0	Myanmar	December 31
Wealth Development Bank	"	51.0	51.0	Philippines	December 31
Woori Bank Vietnam Limited	"	100.0	100.0	Vietnam	December 31
WB Finance Co., Ltd.(*5)	"	100.0	-	Cambodia	December 31
Woori Bank Europe(*5)	"	100.0	-	Germany	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
Consus Eighth Co., LLC (*4)	"	-	0.0	Korea	-
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
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. (*4)	"	-	0.0	Korea	-
Woori WEBST 1st Co., Ltd. (*1)	"	0.0	0.0	Korea	December 31
Wibihansoop 1st Co., Ltd. (*1)	"	0.0	0.0	Korea	December 31
HNLD 1st Inc. (*4)	"	-	0.0	Korea	-
Uri QS 1st Co., Ltd. (*1)	"	0.0	0.0	Korea	December 31
Uri Display 1st Co., Ltd.(*1)	"	0.0	0.0	Korea	December 31
Tiger Eyes 2nd Co., Ltd.(*1)	"	0.0	0.0	Korea	December 31
Woori Serveone 1st Co., Ltd. (*1)	"	0.0	0.0	Korea	December 31
Uri Display 2nd Co.,Ltd. (*1)	"	0.0	-	Korea	December 31
Woori the Colony Unjung Securitization Specialty Co., Ltd. (*1)	"	0.0	-	Korea	December 31
Woori Dream 1st Co., Ltd. (*1)	"	0.0	-	Korea	December 31
Woori Dream 2nd Co., Ltd. (*1)	"	0.0	-	Korea	December 31
Woori H 1st Co., Ltd.(*1)	"	0.0	-	Korea	December 31
Woori HS 1st Co., Ltd. (*1)	"	0.0	-	Korea	December 31
Woori HS 2nd Co., Ltd.(*1)	"	0.0	-	Korea	December 31
Woori Simmonhyeon 1st Inc. (*1)	"	0.0	-	Korea	December 31
Woori K 1st Co.,Ltd. (*1)	"	0.0	-	Korea	December 31
Uri S 1st Co.,Ltd. (*1)	"	0.0	-	Korea	December 31
Smart Casting Inc. (*1)	"	0.0	-	Korea	December 31

Subsidiaries	Main business	Percentage of ownership (%)		Location	Financial statements as of (2018)
		December 31, 2018	December 31, 2017		
G5 Pro Short-term Bond Investment Fund 13 (*2)	Securities investment and others	100.0	100.0	Korea	December 31
Heungkuk Global Private Placement Investment Trust No. 1 (*2)	"	98.5	-	Korea	December 31
Heungkuk Woori Tech Company Private Placement Investment Trust No. 1 (*2)	"	98.0	98.0	Korea	December 31
AI Partners Water Supply Private Placement Investment Trust No.2 (*2)	"	97.3	-	England	December 31
Consus Sakhalin Real Estate Investment Trust 1st(*2)	"	75.0	75.0	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 Investment Bank:					
Dongwoo First Securitization Specialty Co., Ltd. (*1)	Asset securitization	5.0	5.0	Korea	December 31
Seari First Securitization Specialty Co., Ltd. (*1)	"	5.0	5.0	Korea	December 31
Seari Second Securitization Specialty Co., Ltd. (*1)	"	5.0	-	Korea	December 31
Namjong 1st Securitization Specialty Co., Ltd. (*1)	"	5.0	5.0	Korea	December 31
Bukgeum First Securitization Specialty Co., Ltd. (*1)	"	5.0	5.0	Korea	December 31
Bukgeum Second Securitization Specialty Co., Ltd. (*1)	"	5.0	-	Korea	December 31
Woori Card Co., Ltd.:					
TUTU Finance-WCI Myanmar Co., Ltd.	Finance	100.0	100.0	Myanmar	December 31
Woori Card one of 2017-1 Securitization Specialty Co., Ltd. (*1)	Asset securitization	0.5	0.5	Korea	December 31
Woori Card one of 2017-2 Securitization Specialty Co., Ltd. (*1)	"	0.5	0.5	Korea	December 31
Woori Card one of 2018-1 Securitization Specialty Co., Ltd. (*1)	"	0.5	-	Korea	December 31

(*1) The entity is a structured entity for the purpose of asset securitization and is in scope for consolidation. Although the Group is not a majority shareholder, the Group 1) has the power over the investee, 2) is exposed to 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.

(*2) The entity is a structured entity for the purpose of investment in securities and is in scope for consolidation. Although the Group is not a majority shareholder, the Group 1) has the power over the investee, 2) is exposed to 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 is a 'money trust' under the Financial Investment Services and Capital Markets Act and is in scope for consolidation. Although the Group is not a majority shareholder, the Group 1) has the power over the investee, 2) is exposed to 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 removed from the list of subsidiaries as the control over the entity was lost during the current period.

(*5) The entity was included in the list of subsidiaries as the Bank acquired more than 50% of the ownership interest.

- (3) The Group has not consolidated the following entities as of December 31, 2018 and 2017 despite having more than 50% ownership interest:

Subsidiaries	As of December 31, 2018		
	Location	Main Business	Percentage of ownership (%)
Golden Bridge NHN Online Private Equity Investment (*)	Korea	Securities Investment	60.0
Mirae Asset Seobu Underground Expressway Professional Investment (*)	Korea	Securities Investment	65.8
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
Hana Walmart Real Estate Investment Trust 41-1 (*)	Korea	Securities Investment	89.6
IGIS Europe Private Placement Real Estate Fund No. 163-2 (*)	Korea	Securities Investment	97.9
IGIS Global Private Placement Real Estate Fund No. 148-1 (*)	Korea	Securities Investment	75.0
IGIS Global Private Placement Real Estate Fund No. 148-2 (*)	Korea	Securities Investment	75.0
KB Nongso Sewage Treatment Equipment Private Special Asset (*)	Korea	Securities Investment	50.0
Mirae Asset Seoul Ring Expressway Private Special Asset Fund No. 1 (*)	Korea	Securities Investment	66.2
Hangkang Sewage Treatment Plant Fund (*)	Korea	Securities Investment	55.6
Consus KyungJu Green Private Placement Real Estate Fund No. 1 (*)	Korea	Securities Investment	52.4

Subsidiaries	As of December 31, 2017		
	Location	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
Hana Walmart Real Estate Investment Trust 41-1 (*)	Korea	Securities Investment	90.1
IGIS Global Private Placement Real Estate Fund No. 148-1 (*)	Korea	Securities Investment	75.0
IGIS Global Private Placement Real Estate Fund No. 148-2 (*)	Korea	Securities Investment	75.0

(*) Since the investee is a private equity investment fund, the Group does not have the power over the fund's activities even though it holds more than 50% of ownership interest.

- (4) The summarized financial information of the major subsidiaries are as follows. The financial information of each subsidiary was prepared on the basis of consolidated financial statements. (Unit: Korean Won in millions):

	As of and for the year ended December 31, 2018				
	Assets	Liabilities	Operating revenue	Net income (loss) attributable to owners	Comprehensive income (loss) attributable to owners
Woori FIS Co., Ltd.	96,260	63,412	271,651	2,840	269
Woori Private Equity Asset Management Co., Ltd.	38,820	1,439	1,713	(2,794)	(2,843)
Woori Finance Research Institute Co., Ltd.	3,891	560	4,708	7	(109)
Woori Card Co., Ltd.	9,987,057	8,305,093	1,371,301	114,767	106,517
Woori Investment Bank Co., Ltd.	2,682,660	2,367,418	205,446	25,552	25,533
Woori Credit Information Co., Ltd.	34,921	6,386	36,883	1,657	1,411
Woori America Bank	2,182,454	1,878,117	90,975	20,510	32,335
Woori Global Markets Asia Limited	517,627	396,216	18,748	5,144	9,647
Woori Bank China Limited	5,470,927	4,953,813	366,973	21,879	19,194
AO Woori Bank	305,521	256,260	19,433	5,163	(3,234)
PT Bank Woori Saudara Indonesia 1906 Tbk	2,355,975	1,853,768	192,719	40,385	27,109
Banco Woori Bank do Brasil S.A.	179,130	149,146	13,971	1,262	(2,326)
Korea BTL Infrastructure Fund	777,437	299	29,760	26,057	26,057
Woori Fund Service Co., Ltd.	14,448	1,440	10,052	1,597	1,597
Woori Finance Cambodia PLC.	93,239	71,133	11,038	2,826	3,676
Woori Finance Myanmar Co., Ltd.	19,340	6,886	4,496	640	(1,256)
Wealth Development Bank	218,134	184,344	13,668	80	(451)
Woori Bank Vietnam Limited	954,580	720,554	48,716	10,710	13,618
WB Finance Co., Ltd.	268,794	225,655	24,310	2,421	2,329

	As of and for the year ended December 31, 2018				
	Assets	Liabilities	Operating revenue	Net income (loss) attributable to owners	Comprehensive income (loss) attributable to owners
Woori Bank Europe	58,399	311	5	(5,959)	(5,974)
Money trust under the FISCMA Act	1,582,765	1,552,594	54,860	259	259
Structured entity for the securitization of financial assets	1,369,745	1,786,869	53,578	4,990	(5,681)
Structured entity for the investments in securities	63,676	142	1,826	(1,299)	(3,009)
	As of and for the year ended December 31, 2017				
	Assets	Liabilities	Operating revenue	Net income (loss) attributable to owners	Comprehensive income (loss) attributable to owners
Woori FIS Co., Ltd.	103,932	71,386	252,460	1,940	(2,963)
Woori Private Equity Asset Management Co., Ltd.	42,894	2,670	7,257	(4,114)	(4,074)
Woori Finance Research Institute Co., Ltd.	3,790	350	4,733	83	64
Woori Card Co., Ltd.	8,605,993	6,973,705	1,771,157	101,214	107,321
Woori Investment Bank Co., Ltd.	1,880,157	1,588,610	183,376	20,023	20,210
Woori Credit Information Co., Ltd.	33,298	6,175	31,580	861	752
Woori America Bank	1,954,301	1,679,248	81,337	11,869	(16,833)
Woori Global Markets Asia Limited	290,226	178,343	11,345	1,922	(12,544)
Woori Bank China Limited	4,960,637	4,458,683	388,913	13,809	(15,252)
AO Woori Bank	201,704	149,101	15,656	4,748	1,217
PT Bank Woori Saudara Indonesia 1906 Tbk	2,230,617	1,745,171	192,485	38,488	(18,689)
Banco Woori Bank do Brasil S.A.	213,889	181,544	20,455	1,843	(2,840)
Korea BTL Infrastructure Fund	786,480	301	30,240	26,390	26,390
Woori Fund Service Co., Ltd.	12,653	1,242	9,021	1,398	1,398
Woori Finance Cambodia PLC.	51,304	32,873	5,895	983	(473)
Woori Finance Myanmar Co., Ltd.	18,236	5,307	2,506	791	15
Wealth Development Bank	191,049	156,808	13,632	1,323	(1,093)
Woori Bank Vietnam Limited	775,758	632,160	29,698	2,436	(15,347)
Money trust under the FISCMA Act	1,560,672	1,530,760	44,344	582	582
Structured entity for the securitization of financial assets	867,583	1,275,719	22,730	1,179	(2,800)
Structured entity for the investments in securities	34,939	76	377	(475)	(38,592)

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

- Structured entity for asset securitization

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 the investments 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 Financial Investment Services and Capital Markets Act

The Group provides with financial guarantee of principal and interest or solely principal to some of its trust products. Due to the financial guarantees, the Group may be obliged 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 Group has entered into various agreements with structured entities such as asset securitization, structured finance, investment fund, and monetary trust. The characteristics and the nature of risks related to unconsolidated structured entities over which the Group does not have control in accordance with K-IFRS 1110 are as follows:

The ownership interests on unconsolidated structured entities that the Group hold are classified into asset securitization vehicles, structured finance and investment fund, based on the nature and the purpose of the structured entities.

Unconsolidated structured entities classified as ‘asset securitization vehicles’ are entities that issue asset-backed securities, pay the principal and interest or distributes dividends on asset-backed securities through borrowings or profits from the management, operation and sale of securitized assets. The Group transfers related risks from the purchase commitments of asset-backed securities or issuance of asset-backed securities through credit grants, and the structured entities recognize related interest or fee revenue. There are entities that provide additional fund and conditional debt acquisition commitment before the Group’s financial support, but the Group is still exposed to losses arising from the purchase of financial assets issued by the structured entities when it fails to renew the securities.

Unconsolidated structured entities classified as ‘structured financing’ include real estate project financing investment vehicle, social overhead capital companies, and special purpose vehicles for ship (aircraft) financing. Each entity is incorporated as a separate company with a limited purpose in order to efficiently pursue business goals. ‘Structured financing’ is a financing method for large-scale risky business, with investments made based on feasibility of the specific business or project, instead of credit of business owner or physical collaterals. The investors receive profits from the operation of the business. The Group recognizes interest revenue, valuation gain or loss on ownership interest, or dividend income. With regard to uncertainties involving structured financing, there are entities that provide financial support such as additional fund, guarantees and prioritized credit grants prior to the Group’s intervention, but the Group is exposed to possible losses due to loss of principal from reduction in investment value or irrecoverable loans arising from failure to collect scheduled cash flows and cessation of projects.

Unconsolidated structured entities classified as ‘investment funds’ include investment trusts and private equity funds. An investment trust orders the investment and operation of funds to the trust manager in accordance with trust contract with profits distributed to the investors. Private equity funds finances money required to acquire equity securities to enable direction of management and/or improvement of ownership structure, with profit distributed to the investors. The Group recognizes pro rata amount of valuation gain or loss on investment and dividend income as an investor, and may be exposed to losses due to reduction in investment value.

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 December 31, 2018 and 2017 are as follows (Unit: Korean Won in millions):

	December 31, 2018		
	Asset securitization vehicle	Structured finance	Investment Funds
Total asset of the unconsolidated structured entities	6,796,235	58,161,494	11,138,822
Assets recognized in the consolidated financial statements related to the unconsolidated structured entities	2,571,835	2,831,842	1,530,767
Financial assets at FVTPL	285,156	70,219	1,197,844
Financial assets at FVTOCI	281,919	48,961	-
Financial assets at amortized cost	2,003,921	2,511,055	71,150
Investments in joint ventures and associates	-	197,393	261,773
Derivative assets	839	4,214	-
Liabilities recognized in the consolidated financial statements related to the unconsolidated structured entities	1,260	905	-
Derivative liabilities	116	248	-
Other liabilities (including provisions)	1,144	657	-
The maximum exposure to risks	3,252,329	3,408,271	1,587,325
Investments	2,571,835	2,831,842	1,530,767
Credit facilities	680,494	576,429	56,558
Loss recognized on unconsolidated structured entities	5,764	11,609	13,868
	December 31, 2017		
	Asset securitization vehicle	Structured finance	Investment Funds
Total asset of the unconsolidated structured entities	7,295,601	40,172,830	13,641,135
Assets recognized in the consolidated financial statements related to the unconsolidated structured entities	3,215,159	2,314,043	1,138,523
Financial assets held for trading	-	233,428	10,160
AFS financial assets	902,390	106,819	904,774
HTM financial assets	2,269,451	-	-
Loans and receivables	43,180	1,969,760	-
Investments in joint ventures and associates	-	-	223,589
Derivative assets	138	4,036	-
Liabilities recognized in the consolidated financial statements related to the unconsolidated structured entities	1,433	1,506	-
Derivative liabilities	575	968	-
Other liabilities (including provisions)	858	538	-
The maximum exposure to risks	4,032,531	2,918,448	1,138,523
Investments	3,215,159	2,314,043	1,138,523
Credit facilities	817,372	604,405	-
Loss recognized on unconsolidated structured entities	837	3,939	5,993

(7) As of December 31, 2018 and 2017, the share of non-controlling interests on the net income and equity of subsidiaries in which non-controlling interests are significant are as follows: (Unit: Korean Won in millions):

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

	December 31, 2018	December 31, 2017
Woori Investment Bank	130,088	191,111
PT Bank Woori Saudara Indonesia 1906 Tbk	68,250	64,877
Wealth Development Bank	16,557	16,778

2) Net income or loss attributable to non-controlling interests

	For the year ended December 31, 2018	For the year ended December 31, 2017
Woori Investment Bank	10,262	8,370
PT Bank Woori Saudara Indonesia 1906 Tbk	8,126	8,882
Wealth Development Bank	39	648

3) Dividends to non-controlling interests

	For the year ended December 31, 2018	For the year ended December 31, 2017
PT Bank Woori Saudara Indonesia 1906 Tbk	2,082	1,513

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of presentation

The Woori Bank and its subsidiaries (the “Group”)’s consolidated financial statements are prepared in accordance with Korean Financial Reporting Standards (“K-IFRS”)

The significant accounting policies applied in the preparation of consolidated financial statements as of and for the year ended December 31, 2018 are stated below, and the accounting policies applied are identical to ones used in the preparation of previous period’s consolidated financial statements, except for the effects of adopting new standards or interpretations as explained below.

The consolidated financial statements are prepared at the end of each reporting period in historical cost basis, except for certain non-current assets and financial assets that are either revalued or measured in fair value. Historical cost is generally measured at the fair value of consideration given to acquire assets.

The consolidated financial statements of the Group was approved by the Board of Directors on March 6, 2019, and is planned for an approval in the annual shareholders’ meeting on March 27, 2019.

1) The standards and interpretations that are newly adopted by the Group during the current period, and the changes in accounting policies thereof are as follows:

- Adoption of K-IFRS 1109 – *Financial instruments* (enacted)

The Group initially applied K-IFRS 1109 and related amendments made to other standards during the current period, with January 1, 2018 as the date of initial application. K-IFRS 1109 introduces new rules on: 1) classification and measurement of financial assets and financial liabilities, 2) impairment of financial assets, and 3) hedge accounting. Additionally, the Group adopted consequential amendments to K-IFRS 1107 Financial Instruments: Disclosures that were applied to the disclosures for 2018.

The Group decided not to restate the prior period figures when applying the Standard for the first time, and as such the comparative consolidated financial statements are not restated.

The main contents of the new accounting standard and the effect on the consolidated financial statements of the Group are as follows.

a) Classification and measurement of financial assets

All financial assets included in the scope of K-IFRS 1109 are subsequently measured at amortized cost or fair value based on the Group's business model for the management of financial assets and the nature of the contractual cash flows of the financial assets.

Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods (Financial assets at amortized cost).

Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at fair value through other comprehensive income (Financial assets at fair value through other comprehensive income ("FVTOCI")).

All other debt instruments and equity instruments are measured at their fair value at the end of subsequent accounting periods, and any change in the fair value is recognized as profit or loss (Financial assets at fair value through profit or loss ("FVTPL")).

Notwithstanding the foregoing, the Group may make the following irrevocable choice or designation at the time of initial recognition of a financial asset.

The Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of this standard that is neither held for trading nor is a contingent consideration recognized by an acquirer in a business combination to which K-IFRS 1103 applies.

At initial recognition, financial assets at amortized cost or FVTOCI may be irrevocably designated as financial assets at fair value through profit or loss mandatorily measured at fair value if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

As of the date of initial application of K-IFRS 1109, there are no debt instruments classified either as financial assets at amortized cost or FVTOCI that are designated as financial assets at fair value through profit or loss.

When debt instruments measured at FVTOCI are derecognized, the cumulative gain or loss recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. On the other hand, for equity instruments designated as financial assets at fair value through other comprehensive income, cumulative gains or losses previously recognized in other comprehensive income are subsequently reclassified to retained earnings. Debt instruments measured subsequently at amortized cost or at FVTOCI are subject to impairment.

The classification and measurement of financial assets and financial liabilities in accordance with K-IFRS 1109 and K-IFRS 1039 as of January 1, 2018 are as follows (Unit: Korean Won in millions):

	Classification in accordance with K-IFRS 1039	Classification in accordance with K-IFRS 1109	Amount in accordance with K-IFRS 1039	Reclassification-on	Remeasurement(*1)	Amount in accordance with K-IFRS 1109
Deposit	Loans and receivables	Loan and other financial assets at amortized cost	8,870,835	-	-	8,870,835
Deposit	Financial assets at FVTPL	Financial assets at FVTPL	25,972	-	-	25,972
Debt securities	Financial assets at FVTPL	Financial assets at FVTPL(*1)	2,654,027	-	-	2,654,027
Equity securities	Financial assets at FVTPL	Financial assets at FVTPL(*1)	47,304	-	-	47,304
Derivatives assets	Financial assets at FVTPL	Financial assets at FVTPL(*1)	3,115,775	(2,137)	-	3,113,638
Equity securities	AFS financial assets	Financial assets at FVTPL(*1)	1,273,498	1,219	-	1,274,717
Equity securities	AFS financial assets	Financial assets at FVTOCI	850,207	-	-	850,207
Debt securities	AFS financial assets	Financial assets at FVTPL	46,855	-	-	46,855
Debt securities	AFS financial assets	Financial assets at FVTOCI	12,874,209	-	-	12,874,209
Debt securities	AFS financial assets	Securities at amortized cost	308,181	-	14,119	322,300
Debt securities	HTM financial assets	Securities at amortized cost	16,749,296	-	-	16,749,296
Loans	Loans and receivables	Financial assets at FVTPL (*1)	279,032	918	50	280,000
Loans	Loans and receivables	Loan and other financial assets at amortized cost	253,014,491	-	-	253,014,491
Derivatives assets (Designated for hedging)	Derivatives assets (Designated for hedging)	Derivatives assets (Designated for hedging)	59,272	-	-	59,272
Other financial assets	Loans and receivables	Loan and other financial assets at amortized cost	6,772,088	-	-	6,772,088
	Total financial assets		306,941,042	-	14,169	306,955,211

	Classification in accordance with K-IFRS 1039	Classification in accordance with K-IFRS 1109	Amount in accordance with K-IFRS 1039	Reclassification	Remeasurement(*2)	Amount in accordance with K-IFRS 1109
Deposit due to customers	Financial liabilities at FVTPL	Financial liabilities at FVTPL	25,964	-	-	25,964
Deposit due to customers	Financial liabilities at amortized cost	Financial liabilities at amortized cost	234,695,084	-	-	234,695,084
Borrowings	Financial liabilities at amortized cost	Financial liabilities at amortized cost	14,784,706	-	-	14,784,706
Debentures	Financial liabilities at FVTPL	Financial liabilities at FVTPL	91,739	-	-	91,739
Debentures	Financial liabilities at amortized cost	Financial liabilities at amortized cost	27,869,651	-	-	27,869,651
Equity-linked securities	Financial liabilities at FVTPL	Financial liabilities at FVTPL	160,057	-	-	160,057
Derivatives liabilities	Financial liabilities at FVTPL	Financial liabilities at FVTPL	3,150,149	-	-	3,150,149
Derivatives liabilities (Designated for hedging)	Derivatives liabilities (Designated for hedging)	Derivatives liabilities (Designated for hedging)	67,754	-	-	67,754
Other financial liabilities	Financial liabilities at amortized cost	Financial liabilities at amortized cost	13,892,461	-	-	13,892,461
Provision for financial guarantee	Provision	Financial liabilities at amortized cost	71,697	-	-	71,697
	Total financial liabilities		294,809,262	-	-	294,809,262

(*1) Under K-IFRS 1039, the embedded derivatives out of hybrid financial instruments are accounted for as derivative assets or liabilities if the criteria for separation of the embedded derivatives are met; and the host contract in those instruments are recorded as available-for-sale financial assets or loans and receivables respectively. However, since K-IFRS 1109 requires financial instruments to be accounted for based on the terms of the entire financial instrument, the hybrid financial assets are revalued and classified as financial assets at fair value through profit or loss.

(*2) The remeasurement effect due to expected credit losses is not included (The remeasurement effect of expected credit losses is as follows: b) Impairment of financial assets).

At the date of the initial application of K-IFRS 1109, there were no financial assets or liabilities measured at FVTPL that were reclassified to FVTOCI or amortized cost category.

The financial assets at FVTPL or FVTOCI that are reclassified to the amortized cost measurement category as of the date of initial application of K-IFRS 1109, and the related valuation gain or loss and fair value of the financial assets as of December 31, 2018 had it not been reclassified, are as follows (Unit: Korean Won in millions):

Account subject	Category before the adoption of K-IFRS 1109	Amount of valuation gain/loss had it not been reclassified	Fair value
Debt securities(*)	AFS financial assets	2	257,665

(*) Those financial assets that are removed from the books as of December 31, 2018 are not presented in the table above.

b) Impairment of financial assets

The impairment model under K-IFRS 1109 reflects expected credit losses, as opposed to incurred credit losses under K-IFRS 1039. 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, the Group 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.

The Group is required to recognize the expected credit losses for financial instruments measured at amortized cost or FVTOCI (debt instrument), and unused loan commitments and financial guarantee contracts that are subject to the impairment provisions of K-IFRS 1109. In particular, K-IFRS 1109 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. If the credit risk of a financial instruments does not increase significantly after initial recognition (excluding “purchased or originated credit-impaired loans” - for financial assets already impaired at initial recognition), the Group measures the loss allowance on the financial instruments at the amount equivalent to the expected 12-month credit loss.

Management assessed the impairment of the Group's financial assets, lending arrangements and financial guarantees at the date of initial application by using reasonable and supportive measures that can be used without undue cost or effort in determining the credit risk of the financial instruments at initial recognition in accordance with K-IFRS 1109 and in comparing above credit risk with the credit risk at the date of initial application. As of January 1, 2018, the results of the assessment are as follows (Unit: Korean Won in millions):

	Classification in accordance with K-IFRS 1039	Classification in accordance with K-IFRS 1109	Loss allowance in accordance with K-IFRS 1039(A)	Loss allowance in accordance with K-IFRS 1109 (B)	Increases (B-A)
Deposit	Loans and receivables	Loans and other financial assets at amortized cost	2,458	3,092	634
Debt securities					
AFS securities	AFS financial assets	Financial assets at FVTOCI	-	4,236	4,236
HTM securities	HTM financial assets	Securities at amortized cost	-	5,078	5,078
Loans and other financial assets	Loans and receivables	Loans and other financial assets at amortized cost	1,827,785	2,076,873	249,088
Payment guarantee			183,247	192,924	9,677
Loan commitment			66,115	104,985	38,870
	Total		<u>2,079,605</u>	<u>2,387,188</u>	<u>307,583</u>

c) Classification and measurement of financial liabilities

One of the major changes related to the classification and measurement of financial liabilities as a result of the adoption of K-IFRS 1109 is the accounting for change in the fair value of financial liabilities designated at fair value through profit or loss due to the changes in issuer's own credit risk. The Group recognizes the effect of changes in the credit risk of financial liabilities designated as at FVTOCI in other comprehensive income, except for cases where it creates or enlarges accounting mismatch of the profit or loss. Changes in fair value due to credit risk of financial liabilities are not subsequently reclassified to profit or loss, but are reclassified as retained earnings when financial liabilities are derecognized.

In accordance with K-IFRS 1039, the entire of changes in fair value of financial liabilities designated as at FVTPL are recognized in profit or loss. As of January 1, 2018, the Group designated 251,796 million Korean Won of FVTPL out of 294,813,795 million of financial liabilities to be measured at FVTPL, and recognized 133 million Korean Won as accumulated other comprehensive loss in relation to the changes in own credit risk of financial liabilities.

d) Hedge accounting

The new hedge accounting model maintains three types of hedge accounting. However, it introduced more flexibility in the types of transactions that are eligible for hedge accounting and expanded the types of hedging instruments and non-financial hedge items that qualify for hedge accounting. The standard related to the evaluation of hedge accounting has been amended as a whole, where it is now replaced by the principle of "economic relationship" between the hedged item and the hedging instrument. Retrospective assessment of the hedging effectiveness is no longer required. Additional disclosure requirements have been introduced in relation to the Group's risk management activities.

In accordance with the transitional provisions of K-IFRS 1109 on hedge accounting, the Group adopted the hedge accounting provisions of K-IFRS 1109 prospectively from January 1, 2018. As of the date of initial application, the Group concluded that the hedging relationship in accordance with K-IFRS 1039 is appropriate for hedge accounting under K-IFRS 1109, thus the hedging relationship is considered to exist continually. Since the major conditions for hedging instruments and the hedged items are consistent, all hedging relationships are consistent within the effectiveness assessment requirements of K-IFRS 1109. The Group has not designated a hedging relationship in accordance with K-IFRS 1109 in which the hedge relationship would not have met the requirements for hedge accounting under K-IFRS 1039.

e) Effect on equity as a result of adoption of K-IFRS 1109

The effect on equity due to the adoption of K-IFRS 1109 as of January 1, 2018 is as follows (Unit: Korean Won in millions):

- Impact on accumulated other comprehensive loss due to financial assets at FVTOCI, etc.

	<u>Amount</u>
Balance as of December 31, 2017 (prior to K-IFRS 1109)	(89,724)
Adjustments	(392,176)
Reclassification of available-for-sale financial assets to financial assets at FVTPL	(152,124)
Recognition of expected credit losses of debt securities at FVTOCI	4,293
Reclassification of available-for-sale financial assets(equity securities) to financial assets at FVTOCI	(397,508)
Effect on changes in credit risk of financial liabilities at fair value through profit or loss designated as upon initial recognition	(133)
Others	3,500
Income tax effect	149,796
Balance as of January 1, 2018 (based on K-IFRS 1109)	<u>(481,900)</u>

- Retained earnings impact

	Amount
Balance as of December 31, 2017 (prior to K-IFRS 1109)	15,620,006
Adjustments	177,091
Reclassification of available-for-sale financial assets to financial assets at FVTPL	152,124
Recognition of expected credit losses of debt instruments at FVTOCI	(4,293)
Reclassification of available-for-sale financial assets(equity securities) to financial assets at FVTOCI	397,508
Effect on revaluation of financial assets at amortized cost from loan and receivables or AFS financial assets	282
Recognition of expected credit losses of financial assets at amortized cost which were previously loan and receivables	(240,683)
Effect on provision for guarantees and unused loan commitments on liabilities	(48,548)
Effect on changes in credit risk of financial liabilities at fair value through profit or loss designated as upon initial recognition	133
Others	(4,950)
Income tax effect	(74,482)
Balance as of January 1, 2018 (based on K-IFRS 1109)	<u>15,797,097</u>

- Adoption of K-IFRS 1115 – Revenue from contracts with customers (enacted)

The Group adopted the requirements using the modified retrospective method, with the effect of initial application recognized on the date of initial application and without restatement of the comparative periods. Also, this standard is retroactively applied to contracts which are not completed as of the date of initial application, but practical expedient is used so that contract modifications made before the date of initial application are not retroactively restated.

Accordingly, the Group has not retroactively restated the comparative consolidated financial statements presented herein.

The effects of the adoption of K-IFRS 1115 by Woori Card Co. Ltd., a subsidiary of Woori Bank, are as follows. Woori Card Co. Ltd. has modified its accounting policies related to the customer loyalty program, whereby rewards and points provided to the users of the card are deducted from revenue due to the fact that these are regarded as consideration provided to the customer. As a result of the aforementioned accounting policy modification, Fees and Commission Received on Credit Card and Fees and Commission Paid for Credit Card are both reduced by 525,978 million Won. On the other hand, accounting change modifications resulting from the adoption of K-IFRS 1115 did not have any significant effect on the Consolidated Statement of Financial Position, the capital and the Consolidated Statement of Cash Flows.

- Amendments to K-IFRS 1102 – Classification and Measurement of Share-based Payment Transactions

The amendments clarify that: 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) When an entity has an obligation to pay the employee's withholding tax to the tax authority for the employee's equity-settled share-based payment, the transaction shall be classified in its entirety as an equity-settled share-based payment transaction if it would have been so classified in the absence of 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.

- Amendments to K-IFRS 1040 – Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in K-IFRS 1040 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

- Amendments to K-IFRS 2122 – Foreign Currency Transactions and Advance Consideration
The interpretation addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income (or part of them) as a result of the derecognition of a non-monetary asset or non-monetary liability (e.g., a non-refundable deposit or deferred revenue) which were previously recognized due to the fact that consideration was paid or received in advance in a foreign currency. The interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

- Annual Improvements to K-IFRS 2014-2016 Cycle
The amendments include partial amendments to K-IFRS 1101 'First-time Adoption of K-IFRS' and K-IFRS 1028 'Investments in Associates and Joint Ventures.' Amendments to K-IFRS 1028 provide that an investment company such as a venture capital investment vehicle may selectively designate each of its investment in associates and/or joint ventures to be measured at fair value through profit or loss mandatorily measured at fair value, and that such designation must be made at the time of each investment's initial recognition. In addition, when non-investment companies apply equity method to investment in associates and/or joint ventures that are investment companies, these companies may apply the same fair value measurement used by the said associates to value their own subsidiaries. This accounting treatment may be selectively applied to each associate.

The amendments, except for K-IFRS 1109 and K-IFRS 1115, do not have significant impact on the consolidated financial statements of the Group.

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

- K-IFRS 1116 – Leases(enacted)
K-IFRS 1116 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. K-IFRS 1116 will supersede the current lease guidance including K-IFRS 1017 Leases and the related interpretations, and will be applied to periods beginning on or after January 1, 2019.

The Group plans to apply modified retrospective approach as of January 1, 2019 in accordance with K-IFRS 1116. Therefore, the cumulative effect of applying K-IFRS 1116 will be adjusted in the retained earnings (or, where appropriate, other components of equity) at the date of initial application, and the comparative financial statements will not be restated.

K-IFRS 1116 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by model where a right-of-use asset and corresponding liability have to be recognized for all leases by lessees except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under K-IFRS 1017 are presented as operating cash flows; whereas under the K-IFRS 1116 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, K-IFRS 1116 substantially carries forward the lessor accounting requirements in K-IFRS 1017, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Also, K-IFRS 1116 requires expanded disclosures.

According to the preliminary assessment of the Group, the lease agreements entered into by the Group as of December 31, 2018 are expected to meet the definition of lease under the Standard, and accordingly, if the Group adopts the Standard, it applies to all leases except short-term leases and leases of low value assets, and the Group will recognize the right-of-use assets and related liabilities accordingly. As a result of an analysis of the impact on consolidated financial statements, the Group expects right-of-use asset and lease liability to both increase by 338,914 million Won as of December 31, 2018.

The following enacted/amended standards are not expected to affect the Group:

- *K-IFRS 2123 – Uncertainty over Income Tax Treatments (enacted)*
 - *Amendments to K-IFRS 1109*
 - *Amendments to K-IFRS 1028*
 - *Amendments to K-IFRS 1019*
 - *Amendments to K-IFRS 1115*
 - *Annual Improvements to K-IFRS 2015-2017 Cycle*
- These annual improvements contain partial amendments to K-IFRS 1012 ‘Income taxes’, K-IFRS 1023 ‘Borrowing costs’, K-IFRS 1103 ‘Business combinations’ and K-IFRS 1111 ‘Joint arrangements’.*

(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, which 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 parent company.

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 1109 Financial Instruments 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 as the sum of the acquisition-date fair values of the assets transferred by the Group in exchange for control of the acquiree, liabilities assumed by the Group for the former owners of the acquiree and the equity interests issued by the Group. Acquisition-related costs are generally recognized in profit or loss 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

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 other than the above is remeasured at subsequent reporting dates 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 (or other comprehensive income, if applicable). 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 recognized, identical to the treatment assuming interests are sold directly.

In case where i) a common entity ultimately controls over all participating entities, or businesses, in a 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, and 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 in 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, and that is not a subsidiary or a joint venture. 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 assets and liabilities 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 1028 - Investments in Associates and Joint Ventures 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:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- 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 K-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 proportional share of profit or loss until the asset is sold to a third party.

(6) Revenue recognition

K-IFRS 1018 allowed recognition of fees and commission income, a revenue from contracts with customers, in accordance with the accrual principle. However, K-IFRS 1115, applicable from the current period, requires the recognition of revenues based on transaction price allocated to the performance obligation when or as the Group performs that obligation to the customer. Since revenues other than those from contracts with customers, such as interest revenue and loan origination fee (cost), are measured through effective interest rate method, the revenue recognition principles are identical with those applied in the previous periods.

1) Revenues from contracts with customers

The Group recognizes revenue when the Group satisfies a performance obligation by transferring a promised good or service to a customer. When a performance obligation is satisfied, the Group shall recognize as a revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

The Group is recognizing revenue by major sources as shown below:

① *Fees and commission received for brokerage*

The fees and commission received for agency are the amount of consideration or fee expected to be entitled to receive in return for providing goods or services to the other parties with the Group acting as an agency, such as in the case of sales of bancassurance and beneficiary certificates. The majority of these fees and commission received for brokerage are from the business activities relevant to Consumer banking segment.

② *Fees and commission received related to credit*

The fees and commission received related to credit mainly include the lending fees received from the loan activity and the fees received in the L/C transactions. Except for the fees and commission accounted for in calculating the effective interest rate, it is generally recognized when the performance obligation has been performed. The majority of these fees and commission received related to credit are from the business activities relevant to Consumer banking and Corporate banking segment.

③ *Fees and commission received for electronic finance*

The fees and commission received for electronic finance include fees received in return for providing various kinds of electronic financial services through firm-banking and CMS. These fees are recognized as revenue immediately upon the completion of services. The majority of these fees and commission received for electronic finance are from the business activities relevant to Consumer banking and Corporate banking segment.

④ *Fees and commission received on foreign exchange handling*

The fees and commission received on foreign exchange handling consist of various fees incurred when transferring foreign currency. The point of processing the customer's request is the time when performance obligation is satisfied, and revenue is immediately recognized when fees and commission are received after requests are processed. The business activities relevant to these fees and commission received on foreign exchange handling are substantially attributable to Corporate banking segment.

⑤ *Fees and commission received on foreign exchange*

The fees and commission received on foreign exchange consist of fees related to the issuance of various certificates, such as exchange, import and export performance certificates, purchase certificates, etc. The point of processing the customer's request is the time when performance obligation is satisfied, and revenue is immediately recognized when fees and commission are received after requests are processed. The business activities relevant to these fees and commission received on foreign exchange are substantially attributable to Corporate banking segment.

⑥ *Fees and commission received for guarantee*

The fees and commission received for guarantee include the fees received for the various warranties. The activities related to the warranty consist mainly of performance obligations satisfied over time and fees and commission are recognized over the guarantee period. The business activities relevant to these fees and commission received for guarantee are substantially attributable to Corporate banking segment.

⑦ *Fees and commission received on credit card*

The fees and commission received on credit card consist mainly of merchant account fees and annual fees. The Group recognizes merchant account fees by multiplying agreed commission rate to the amount paid by using the credit card. The annual fees are performance obligation satisfied over time and are recognized over agreed periods after the annual fees are paid in advance. The business activities relevant to these fees and commission received on credit card are substantially attributable to Credit cards segment.

⑧ *Fees and commission received on securities business*

The fees and commission received on securities business consist mainly of fees and commission for the sale of beneficiary certificates, and these fees are recognized when the beneficiary certificates are sold to customers. The business activities relevant to these fees and commission received on securities business are substantially attributable to Consumer banking segment.

⑨ *Fees and commission from trust management*

The fees and commission from trust management consist of fees and commission received in return for the operation and management services for entrusted assets. These operation and management services are performance obligations satisfied over time, and revenue is recognized over the service period. Among the fees and commission from trust management, variable considerations such as profit commission that are affected by the value of entrusted assets and base return of the future periods are recognized as revenue when limitations to the estimates are lifted. The majority of these fees and commission received for brokerage are from the business activities relevant to Consumer banking segment.

⑩ *Fees and commission received on credit Information*

The fees and commission received on credit Information are composed of the fees and commission received by performing credit investigation and proxy collection services. Credit investigation fees and commission are the amount received in return for verifying the information requested by the customer and are recognized as revenue at the time the verification is completed. Proxy collection service fees are recognized by multiplying the applicable rate to the collected amount at the time when collection services are completed. The majority of these fees and commission received for brokerage are from the business activities relevant to Consumer banking segment.

⑪ *Other fees*

Other fees are usually fees related to remittances, but include fees related to various other services provided to customers by the Group. These fees are recognized when transactions occur at the customers' request and services are provided, at the same time when commission are received. These other fees occur across all operating segments and no single operating segment represents majority of other fees.

2) Revenues from sources other than contracts with customers

① *Interest income*

Interest income on financial assets measured at FVTOCI and financial assets at amortized costs is measured using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a debt instrument 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 unamortized cost over the expected period, or shorter if appropriate. Future cash flows include commissions and cost of reward points (limited to the primary component of effective interest rate) and other premiums or discounts that are paid or received between the contractual parties when calculating the effective interest rate, but does not include expected credit losses. All contractual terms of a financial instrument are considered when estimating future cash flows.

For purchased or originated credit-impaired financial assets, interest revenue is recognized by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. Even if the financial asset is no longer impaired in the subsequent periods due to credit improvement, the basis of interest revenue calculation is not changed from amortized cost to unamortized cost of the financial assets.

② *Loan origination fees and costs*

The commission fees earned on loans, which is part of the effective interest of loans, is accounted for as deferred origination fees. Incremental costs related to the origination of loans are accounted for as deferred origination fees and is being added or deducted to/from interest income on loans using effective interest rate method.

(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. The effective portion of the changes in fair value of a derivative that qualifies as a cash flow hedge and the foreign exchange differences on monetary items that form part of net investment in foreign operations are recognized in equity.

Assets and liabilities of the foreign operations subject to consolidation are translated into Korean Won at foreign exchange rates at the end of the reporting period. Except for situations in which it is required to use exchange rates at the date of transaction due to significant changes in exchange rates during the period, items that belong to profit or loss shall be measured by average exchange rate, with foreign exchange differences recognized as other comprehensive income and added to equity (allocated to non-controlling interests, if appropriate). When foreign operations are disposed, the controlling interest's share of accumulated foreign exchange differences related to such foreign operations will be reclassified to profit or loss, while non-controlling interest's corresponding share will not be reclassified.

Adjustments to fair value of identifiable assets and liabilities, and goodwill arising from the acquisition of foreign operations will be treated as assets and liabilities of the corresponding foreign operation, and is translated using foreign exchange rates at the end of the period. The foreign exchange differences are recognized in equity.

(8) Cash and cash equivalents

The Group is classifying cash on hand, demand deposits, interest-earning deposits with original maturities of up to three months on acquisition date, and highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value as cash and cash equivalents.

(9) Financial assets and financial liabilities

The Group's accounting policies in accordance with the newly adopted K-IFRS 1109 are as follows:

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 FVTPL, financial assets at FVTOCI, and financial assets at amortized cost.

a) Business model

The Group evaluates the way business is being managed, and the purpose of the business model for managing a financial asset best reflects the way information is provided to the management at its portfolio level. Such information considers the following:

- The accounting policies and purpose specified for the portfolio, the actual operation of such policies. This includes strategy of the management focusing on the receipt of contractual interest revenue, maintaining a certain level of interest income, matching the duration of financial assets and the duration of corresponding liabilities to obtain the asset, and outflow or realization of expected cash flows from disposal of assets
- The way the performance of a financial asset held under the business model is evaluated, and the way such evaluation is being reported to the management

- The risk affecting the performance of the business model (and financial assets held under the business model), and the way such risk is being managed
- The compensation plan for the management (e.g. whether the management is being compensated based on the fair value of assets or based on contractual cash flows received)
- Frequency, amount, timing and reason for sale of financial assets in the past, and forecast of future sale activities.

b) Contractual cash flows

The principal is defined to be the fair value of a financial assets at initial recognition. Interest is not only composed of consideration for the time value of money, consideration for the credit risk related to remaining principal at a certain period of time, and consideration for other cost (e.g. liquidity risk and cost of operation) and fundamental risk associated with lending, but also profit.

When evaluating whether contractual cash flows are solely payments of principal and interests, the Group considers the contractual terms of the financial instrument. When a financial asset contains contractual conditions that modify the timing and amount of contractual cash flows, it is required to determine whether contractual cash flows that arise during the remaining life of the financial instrument due to such contractual condition are solely payments of principal and interest. The Group considers the following elements when evaluating the above:

- Conditions that lead to modification of timing or amount of cash flows
- Contractual terms that adjust contractual nominal interest, including floating rate features
- Early payment features and maturity extension features
- Contractual terms that limit the Group's claim on cash flows arising from certain assets (e.g. non-recourse feature)

① Financial assets at FVTPL

The Group is classifying those financial assets that are not classified as either financial assets at amortized cost or financial assets at FVTOCI, and those designated to be measured at FVTPL, as financial assets at FVTPL. Financial assets at FVTPL are measured at fair value, and related profit or loss is recognized in net income. Transaction costs related to acquisition at initial recognition is recognized in net income immediately upon its occurrence.

It is possible to designate a financial asset as financial asset at FVTPL if at initial recognition: (a) it is possible to remove or significantly reduce recognition or measurement mismatch that may otherwise have occurred if not for its designation as financial asset at FVTPL; (b) the financial asset forms part of the Group's financial instrument group (A group composed of a combination of financial asset or liability), is measured at fair value and is being evaluated for its performance, and such information is provided internally; and (c) the financial asset is part of a contract that contains one or more of embedded derivatives, and is a hybrid contract in which designation as financial asset at FVTPL is allowed under K-IFRS 1109 'Financial Instruments'. However, the designation is irrevocable.

② Financial assets at FVTOCI

When financial assets are held under a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and when contractual cash flows from such financial assets are solely payments of principal and interest, the financial assets are classified as financial assets at FVTOCI. Also, for investments in equity instruments that are not held for short-term trade, an irrevocable election is available at initial recognition to present subsequent changes in fair value as other comprehensive income.

At initial recognition, financial assets at FVTOCI is measured at its fair value plus any direct transaction cost, and is subsequently measured in fair value. However, for equity instruments that do not have a quotation in an active market and in which fair value cannot be measured reliably, they are measured at cost. The changes in fair value except for profit or loss items such as impairment losses (reversals), interest revenue calculated by using effective interest method, and foreign exchange gain or loss, and related income tax effects are recognized as other comprehensive income until the asset's disposal. Upon derecognition, the accumulated other comprehensive income is reclassified from equity to net income for FVTOCI (debt instrument), and reclassified within the equity for FVTOCI (equity instruments).

③ Financial assets at amortized cost

When financial assets are held under a business model whose objective is to hold financial assets in order to collect contractual cash flows, and when contractual cash flows from such financial assets are solely payments of principal and interest, the financial assets are classified as financial assets at amortized cost. At initial recognition, financial assets at amortized cost are recognized at fair value plus any direct transaction cost. Financial assets at amortized cost is presented at amortized cost using effective interest method, less any loss allowance.

2) Financial liabilities

At initial recognition, financial liabilities are classified into either financial liabilities at FVTPL or financial liabilities at amortized cost.

Financial liabilities are usually classified as financial liabilities at FVTPL when they are acquired with a purpose to repurchase them within a short period of time, when they are part of a certain financial instrument portfolio that is actually and recently being managed with a purpose of short-term profit and joint management by the Group at initial recognition, and when they are derivatives that do not qualify as hedging instruments. Financial liabilities at FVTPL are measured at fair value plus direct transaction cost at initial recognition, and are subsequently measured at fair value. Profit or loss arising from financial liabilities at FVTPL is recognized in net income when occurred.

It is possible to designate a financial liability as financial liability at FVTPL if at initial recognition: (a) it is possible to remove or significantly reduce recognition or measurement mismatch that may otherwise have occurred if not for its designation as financial liability at FVTPL; (b) the financial asset forms part of the Group's financial instrument group (A group composed of a combination of financial asset or liability) according to the Group's documented risk management or investment strategy, is measured at fair value and is being evaluated for its performance, and such information is provided internally; and (c) the financial liability is part of a contract that contains one or more of embedded derivatives, and is a hybrid contract in which designation as financial liability at FVTPL is allowed under K-IFRS 1109 'Financial Instruments'.

Financial liabilities designated as at FVTPL are initially recognized at fair value, with any direct transaction cost recognized in profit or loss, and are subsequently measured at fair value. Any profit or loss from financial liabilities at FVTPL are recognized in profit or loss.

Financial liabilities not classified as financial liabilities at FVTPL are measured at amortized cost. The Group is classifying liabilities such as deposits due to customers, borrowings and debentures as financial liabilities at amortized cost.

3) Reclassification

Financial assets are not reclassified after initial recognition unless the Group modifies the business model used to manage financial assets. When the Group modifies the business model used to manage financial assets, all affected financial assets are reclassified on the first day of the first reporting period after the modification.

4) Derecognition

Financial assets are derecognized when contractual rights to cash flows from the financial assets are expired, or when substantially all of risk and reward for holding financial assets is transferred to another entity as a result of a sale of financial assets. If the Group does not have and does not transfer substantially all of the risk and reward of holding financial assets with control of the transferred financial assets retained, the Group recognizes financial assets to the extent of its continuing involvement. If the Group holds substantially all the risk and reward of holding a financial asset, it continues to recognize that asset and proceeds are accounted for as collateralized borrowings.

When a financial asset is fully derecognized, the difference between the book value and the sum of proceeds and accumulated other comprehensive income is recognized as profit or loss in case of FVTOCI (debt instruments), and as retained earnings for FVTOCI (equity instruments).

In case when a financial asset is not fully derecognized, the Group allocates the book value into amounts retained in the books and removed from the books, based on the relative fair value of each portion at the date of sale, and based on the degree of continuing involvement. For the derecognized portion of the financial assets, the difference between its book value and the sum of proceeds and the portion of accumulated other comprehensive income attributable to that portion will be recognized in profit or loss in case of debt instruments and recognized in retained earnings in case of equity instruments. The accumulated other comprehensive income is distributed to the portion of book value retained in the books, and to the portion of book value removed from the books.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability

5) Fair value of financial instruments

Financial assets at FVTPL and financial assets at FVTOCI are measured and presented in consolidated financial statements at their fair values, and all derivatives are also subject to fair value measurement.

Fair value is defined as the price that would be received to exchange an asset or paid to transfer a liability in a recent transaction between independent parties that are reasonable and willing. Fair value is the transaction price of identical financial assets or financial liabilities generated in an active market. An active market is a market where trade volume is sufficient and objective price information is available due to the fact that bid and ask price differences are small.

When trade volume of a financial instrument is low, when transaction prices within the market show large differences among them, or when it cannot be concluded that a financial instrument is being traded within an active market due to disclosures being extremely shallow, fair value is measured using valuation techniques based on alternative market information or using internal valuation techniques based on general and observable information obtained from objective sources. Market information includes maturity and characteristics, duration, similar yield curve, and variability measurement of financial instruments of similar nature. Fair value amount contains unique assumptions on each entity (the Group concluded that it is using assumptions applied in valuing financial instruments in the market, or risk-adjusted assumptions in case marketability does not exist).

The market approach and income approach, which are valuation techniques used to estimate the fair value of financial instruments, both require significant judgment. Market approach measures fair value using either a recent transaction price that includes the financial instrument, or observable information on comparable firm or assets. Income approach measures fair value through discounting future cash flows with a discount rate reflecting market expectations, and revenue, operating income, depreciation, capital expenditures, income tax, working capital and estimated residual value of financial investments are being considered when deriving future cash flows. Valuation techniques such as the above include estimates based on the financial instruments' complexity and usefulness of observable information in the market.

The valuation techniques used in the evaluation of financial instruments are explained below.

a) Financial assets at FVTPL and Financial assets at FVTOCI

The fair value of equity securities included in financial assets at FVTPL and financial assets at FVTOCI category is recognized in the statement of financial position at its available market price. Debt securities traded in the over-the-counter market are generally recognized at an amount computed by an independent appraiser. Especially, when the Group uses the fair value determined by independent appraisers, the Group usually obtains three values from three different appraisers for each financial instrument, and selects the minimum amount without making additional adjustments. For equity securities without marketability, the Group uses the amount determined by the independent appraiser. The Group verifies the prices obtained from appraisers in various

ways, including the evaluation of independent appraisers' competency, indirect verification through comparison between appraisers' price and other available market information, and reperformance done by employees who have knowledge of valuation models and assumptions that appraisers used.

b) Derivatives

The Group's transactions involving derivatives such as futures and exchange traded options are measured at market value. For exchange traded derivatives classified as level 2 in the fair value hierarchy, the fair value is estimated using internal valuation techniques. If there are no publicly available market prices because they are traded over-the-counter, fair value is measured through internal valuation techniques. When using internal valuation techniques to derive fair value, the types of derivatives, base interest rate or characteristics of prices, or stock market indices are considered. When variables used in the internal valuation techniques are not observable information in the market, such variables may contain significant estimates.

c) Adjustment of valuation amount

The Group is exposed to credit risk when counterparty to a derivative contract does not perform its contractual obligation, and the exposure amount is equal to the amount of derivative asset recognized in the statement of financial position. When the Group earns income through valuation of derivatives, such income is recognized as derivative asset in the statement of financial position. Some of the derivatives are traded in the market, but most of the derivatives are measured at estimated fair value derived from internal valuation models that use observable information in the market. As such, in order to estimate the fair value there should be an adjustment made to incorporate counterparty's credit risk, and credit risk adjustment is being considered when valuing derivative assets such as over-the counter derivatives. The amount of financial liabilities is also adjusted by the Group's own credit risk when valuing them.

The amount of adjustment is derived from counterparty's probability of default and loss given default. This adjustment considers contractual matters that are designed to reduce the Group's exposure to each counterparty's credit risk. When derivatives are under master netting arrangement, the exposure used in the computation of credit risk adjustment is a net amount after adding/deducting cash collateral received (or paid) from loss(or gain) position derivatives with the same counterparty.

6) Expected credit losses on financial assets

The Group recognizes loss allowance on expected credit losses for the following assets:

- Financial assets at amortized cost
- Debt instruments measured at FVTOCI
- Contract assets as defined by K-IFRS 1115

Expected credit losses are weighted-average value of a range of possible results, considering the time value of money, and are measured by incorporating information on current conditions and forecasts of future economic conditions that are available without undue cost or effort.

The methods to measure expected credit losses are classified into following three categories in accordance with K-IFRS:

- General approach: Financial assets that does not belong to below two models and unused loan commitments
- Simplified approach: When financial assets are either trade receivables, contract assets or lease receivables
- Credit impairment model: Purchased or originated credit-impaired financial assets

The measurement of loss allowance under general approach is differentiated depending on whether the credit risk has increased significantly after initial recognition. That is, loss allowance is measured based on 12-month expected credit loss when the credit risk has not increased significantly after initial recognition, while loss allowance is measured at lifetime expected credit loss when credit risk has increased significantly. Lifetime is the expected remaining life of the financial instrument up to the maturity date of the contract.

The measurement of loss allowance under simplified approach is always based on lifetime expected credit loss, and loss allowance under credit impairment model is measured as the cumulative change in lifetime expected credit loss since initial recognition.

a) Measurement of expected credit losses on financial asset at amortized cost

The expected credit losses on financial assets at amortized cost is measured by the difference between the contractual cash flows during the period and the present value of expected cash flows. Expected cash inflows are computed for individually significant financial assets in order to calculate expected credit losses.

When financial assets that are not individually significant, they are included in a group of financial assets with similar credit risk characteristics and expected credit losses of the group are calculated collectively.

Expected credit losses are deducted through loss allowance account, and when the financial asset is determined to be uncollectible, the loss allowance is written off from the books along with the related financial asset. When loan receivable previously written off is subsequently collected, the related loss allowance is increased and changes in loss allowance are recognized in profit or loss.

b) Measurement of expected credit losses on financial asset at FVTOCI

The measurement method of expected credit loss is identical to financial asset at amortized cost, but changes in the loss allowance is recognized in other comprehensive income. When financial assets at FVTOCI is disposed or repaid, the related loss allowance is reclassified from other comprehensive income to net income.

The comparative financial statements for the year 2017 are prepared in accordance with K-IFRS 1039.

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.

① Financial assets at FVTPL

The Group classifies financial assets as financial assets measured at FVTPL when they are either held for trading or designated to be measured at FVTPL. Financial assets acquired with the purpose of selling in the near term are classified as financial assets held for trading, and are measured at fair value with related valuation gain or loss recognized in net income. Any transaction cost related to the acquisition of financial assets at initial recognition is recognized in net income upon its occurrence.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if: (a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (b) 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 (c) 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.

② 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.

③ HTM financial assets

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.

④ Loans and other 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 incur.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if: (a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (b) 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 (c) 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 incur.

All other financial liabilities, such as deposits due to customers, borrowings, and debentures, are measured at amortized cost using the effective interest method.

3) Reclassification

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

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 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 instruments

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) Derivatives

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) Adjustment of valuation amount

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 is 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 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 have 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 (i.e., improvement in the credit quality of a debtor), 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 as a net amount in the statements of financial position when the Group has an enforceable legal right 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, and the book value of a portion of an asset that are replaced by a subsequent expenditure is removed from the books. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, all other investment properties are depreciated based on the depreciation method and useful lives of premises and equipment. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, and when it is deemed appropriate to change them, the effect of any change is accounted for as a change in accounting estimates.

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 the 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 accumulated depreciation and accumulated impairment losses. The cost of an item of premises and equipment is expenditures directly attributable to their purchase or construction, which includes any cost 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 costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset (if appropriate) if it is probable that future economic benefit 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 by applying the following estimated economic useful lives on the amount of cost or revalued amount less residual value.

	<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 changes in the estimates are deemed appropriate, the changes are accounted for as a change in an accounting estimate. When there is an indicator of impairment and the carrying amount of a premises and equipment item exceeds the estimated recoverable amount, the carrying amount of such asset is reduced to the recoverable amount.

(13) Intangible assets and goodwill

The Group is recognizing intangible assets measured at the manufacturing cost or acquisition cost plus additional incidental expenses less accumulated amortization and accumulated impairment losses. The Group's intangible asset are amortized over the following economic lives using the straight-line method. The estimated useful life and amortization method are reviewed at the end of each reporting period. If changes in the estimates are deemed appropriate, the changes are accounted for as a change in an accounting estimate.

	<u>Useful life</u>
Industrial property rights	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.

Goodwill acquired in a business combination is included in intangible assets. Goodwill is not amortized, but is subject to an impairment test at the cash-generating unit level every year, and whenever there is an indicator that goodwill is impaired.

Goodwill is allocated to each of the Group's cash-generating unit (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

(14) Impairment of non-monetary assets

Intangible assets with indefinite useful lives or intangible assets that are not yet available for use are tested for impairment annually, regardless of whether or not there is any indication of impairment. All other assets are tested for impairment by estimating the recoverable amount when there is an objective indication that the carrying amount may not be recoverable. Recoverable amount is the higher of value in use or 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) The Group as a lessor

The Group recognizes lease receivables at the present value of minimum lease payments of a finance lease and any unguaranteed residual value. After the commencement date of the lease, accounting is done to recognize interest income over each reporting period by computing periodic interest income on the Group's net investment.

Rental income from operating leases is recognized on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and expensed on a straight-line basis over the lease term. Operating lease assets are included within other asset category in other assets, and depreciated over their economic life.

2) The Group 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 separate statements of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation 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 forwards, futures, options and swaps, depending on the types of transactions and are classified at the point of transaction as either trading or hedging based on its purpose.

Derivatives are initially recognized at fair value at the date of contract and are subsequently measured at 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. If derivatives have been designated as hedging instruments and if it is effective, the point of recognition of gain or loss depends on the characteristics of hedging relationship.

1) Embedded derivatives

Embedded derivatives are components of a hybrid financial instrument that includes a non-derivative host contract. It has an effect of modifying part of cash flows of the hybrid financial instrument similar to an independent derivative.

Embedded derivatives that are part of a hybrid contract of which the host contract is a financial asset within the scope of K-IFRS 1109 is not separated. The classification is done by considering the hybrid contract as a whole, and subsequent measurement is either at amortized cost or fair value.

If embedded derivatives are part of a hybrid contract of which the host contract is not a financial asset within the scope of K-IFRS 1109 (e.g. financial liability), then these are treated as separate derivatives if embedded derivatives meet the definition of a derivative, characteristics & risk of the embedded derivatives are not closely related to that of host contract, and if the host contract is not measured at FVTPL.

In the previous year, all embedded derivatives which were part of a hybrid contract were treated as separate derivatives if embedded derivatives meet the definition of a derivative, characteristics & risk of the embedded derivatives are not closely related to that of host contract, and if the host contract is not measured at FVTPL.

2) Hedge accounting

The Group is applying K-IFRS 1109 in regards to hedge accounting. The Group is designating certain derivatives as hedging instrument against fair value changes in relation to the interest rate risk, foreign currency translation and interest rate risk, and foreign currency translation risk.

The Group is documenting the relationship between hedging instruments and hedged items at the commencement of hedging in accordance with their purpose and strategy. Also, the Group documents at the commencement and subsequent dates whether the hedging instrument effectively counters the changes in fair value of hedged items. A hedging instrument is effective only when it meets all the following criteria:

- When there is an economic relationship between the hedged items and hedging instruments.
- When the effect of credit risk is not stronger than the change in value due to the economic relationship between the hedged items and hedging instruments.
- When the hedge ratio is equal to the proportion of hedged items to the hedging instruments.

When a hedging relationship no longer meets the hedging effectiveness requirements related to hedge ratio, but when the purpose of risk management on designated hedging relationship is still maintained, the hedge ratio of the hedging relationship is adjusted so that hedging relationship may meet the requirements again (Hedge ratio readjustment).

The Group has designated derivatives as hedging instrument except for the portion on foreign currency basis spread. The fair value change due to foreign currency basis spread is recognized in other comprehensive income and is accumulated in equity. If the hedged item is related to transactions, the accumulated other comprehensive income is reclassified to profit or loss when the hedged item affects the profit or loss. However, when non-monetary items are subsequently recognized due to hedged items, the accumulated equity is removed from the equity directly, and is included in the initial book value of the recognized non-monetary items. Such transfers does not affect other comprehensive income. But if part or all of accumulated equity is not expected to be recovered in the future periods, the amount not expected to be recovered is immediately reclassified to profit or loss. If the hedged item is time-related, then the foreign currency basis spread on the day the derivative is designated as a hedging instrument that is related to the hedged item is reclassified to profit or loss over the term of the hedge.

3) Fair value hedge

Gain or loss arising from valid hedging instrument is recognized in profit or loss. However, when the hedging instrument mitigates risks on equity instruments designated as financial assets at FVTOCI, related gain or loss is recognized in other comprehensive income.

The book value of hedged items that are not measured in fair value is adjusted by the changes in fair value arising from the hedged risk, with resulting gain or loss reflected in net income. In case of debt instruments measured at FVTOCI, book value is an amount that is already adjusted to fair value and thus gain or loss arising from the hedged risk is recognized in profit or loss instead of other comprehensive income without adjustments in book value. When the hedged item is equity instruments measured at FVTOCI, the gain or loss arising from hedged risk is retained at other comprehensive income in order to match the gain or loss with hedging instruments.

Hedge accounting ceases to apply only when hedging relationship (or part of it) does not meet the requirements of hedge accounting (even after hedging relationship readjustment, if applicable). This treatment holds in case of lapse, disposal, expiry and exercise of hedging instruments, and this cease of treatment applies prospectively.

The fair value adjustments made to book value of hedged item due to hedged risk is amortized from the date of discontinuance of hedge accounting and is recognized in profit or loss.

4) Cash flow hedge

The Group recognizes the effective portion of changes in the fair value of derivatives and other valid hedging instruments that are designated and qualified as cash flow hedges in other comprehensive income, to the extent of cumulative fair value changes of the hedged item from the date of hedge accounting. 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 affects net income. However, when non-monetary assets or liabilities are subsequently recognized due to expected transactions involving hedged items, the valuation gain or loss accumulated in the equity as other comprehensive income is removed from the equity and included in the initial book value of the recognized non-monetary assets or liabilities. Such transfers does not affect other comprehensive income. Also if accumulated other comprehensive income is a loss and part or all of the losses are not expected to be recovered in the future periods, the said amount is immediately reclassified to profit or loss.

Hedge accounting ceases to apply only when hedging relationship (or part of it) does not meet the requirements of hedge accounting (even after hedging relationship readjustment, if applicable). This treatment holds in case of lapse, disposal, expiry and exercise of hedging instruments, and this cease of treatment applies prospectively. At the point of cessation of cash flow hedge, the valuation gain or loss recognized as accumulated other comprehensive income continues to be recognized as equity, and is reclassified to profit or loss when the expected transaction is ultimately recognized as profit or loss. However, when transactions are no longer expected to occur, the valuation gain or loss of hedging instrument recognized as accumulated other comprehensive income is immediately reclassified to profit or loss.

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

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(18) Provisions

Provisions are recognized if (a) it has present or contractual obligations as a result of the past event, (b) it is probable that an outflow of resources will be required to settle the obligation and (c) 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 membership points, 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.

(19) 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. A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The compound financial instruments are financial instruments where it is neither a financial liability nor an equity instrument because it was designed to contain both equity and debt elements.

If the Group reacquires its own equity instruments, the consideration paid including the direct transaction costs (net of tax expense) are presented as a deduction from total equity until such instruments are retired or reissued. When these instruments are reissued, the consideration received (net of direct transaction costs) is included in the shareholder's equity.

(20) Financial guarantee contracts

A financial guarantee contract is a contract where the issuer must pay a certain amount of money in order to compensate losses suffered by the creditor when debtor defaults on a debt instrument in accordance with original or modified contractual terms.

A financial guarantee is initially measured at fair value and is subsequently measured at the higher of the amounts below unless it is designated to be measured at FVTPL or when it arises from disposal of an asset.

- Loss allowance in accordance with K-IFRS 1109
- Initial book value less accumulated profit measured in accordance with K-IFRS 1115

(21) Employee benefits and pensions

The Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by the employees. Also, the Group recognizes expenses and liabilities in the case of accumulating compensated absences when the employees render services that entitle their right to future compensated absences. Similarly, the Group recognizes expenses and liabilities for customary profit distribution or bonuses when the employees render services, even though the Group does not have legal obligation to do so because it can be construed as constructive obligation.

The Group is operating defined contribution plans and defined benefit plans. Contributions to defined contribution plans are recognized as an expense when employees have rendered services entitling them to receive the benefits. For defined benefit plans, the defined benefit liability is calculated through an actuarial assessment using the projected unit credit method every end of the reporting period, conducted by a professional actuary. Remeasurement, comprising actuarial gains and losses, the return on plan assets (excluding interest), and the effect of the changes to the asset ceiling (if applicable) is reflected immediately in the separate statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur.

Remeasurement recognized in the consolidated statement of comprehensive income is not reclassified to profit or loss in the subsequent periods. 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 and 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 recognized as an asset 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) the date when the Group is no longer able to cancel its proposal for termination benefits or 2) the date when the Group has recognized the cost of restructuring that accompanies the payment of termination benefits.

(22) Income taxes

Income tax expense is composed of current tax and deferred tax. That is, income tax expense is composed of taxes payable or refundable during the period and deferred taxes calculated by applying asset-liability method to taxable and deductible temporary differences arising from operating loss and tax credit carryforwards.

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 recognized for the change in deferred tax assets or liabilities. Deferred tax assets and liabilities are measured as of the reporting date using the enacted or substantively enacted tax rates expected to apply in the period in which the liability is settled or asset realized. Deferred tax assets, including the carryforwards of unused tax losses, are recognized to the extent it is probable that the deferred tax assets will be realized.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent 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 the initial recognition of 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 taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity or when it arises from business combination.

(23) Earnings per share (“EPS”)

Basic EPS is a calculation of net income per each common stock. It is calculated by dividing net income attributable to ordinary shareholders 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 continuously being evaluated based on numerous factors including historical experiences and expectations of future events considered to be reasonably possible. Actual results can differ from those estimates based on such definitions. The accounting estimates and assumptions that contain significant risk of materially changing current book values of assets and liabilities in the next accounting periods are as follows:

(1) Income taxes

The Group has recognized current and deferred taxes based on best estimates of expected future income tax effect arising from the Group’s operations until the end of the current reporting period. However, actual tax payment may not be identical to the related assets and/or liabilities already recognized, and these differences may affect current taxes and deferred tax assets/liabilities at the time when income tax effects are finalized. 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. In this case the Group’s evaluation considers various factors such as estimated future taxable profit based on forecasted operating results, which are based on historical financial performance. The Group is reviewing the book value of deferred tax assets every end of the reporting period and in the event that the possibility of earning future taxable income changes, the deferred tax assets are adjusted up to taxable income sufficient to use deductible temporary differences.

(2) Valuation of financial instruments

Financial assets at FVTPL and FVTOCI are recognized in the consolidated financial statements at fair value. All derivatives are measured at fair value. Valuation techniques are required in order to determine fair values of financial instruments where observable market prices do not exist. Financial instruments that are not actively traded and have low price transparency 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.

As described in Note 2-(9)-5), 'Fair value of financial assets and liabilities', when valuation techniques are used to determine the fair value of a financial instrument, various general and internally developed techniques are used, and various types of assumptions and variables are incorporated during the process.

(3) Impairment of financial instruments

K-IFRS 1109 requires entities to measure loss allowance equal to 12-month expected credit losses or lifetime expected credit losses after classifying financial assets into one of the three stages, which depends on the degree of increase in credit risk after their initial recognition.

	Stage 1	Stage 2	Stage 3
	Credit risk has not significantly increased since initial recognition(*)	Credit risk has significantly increased since initial recognition	Credit has been impaired
Allowance for expected credit losses	Expected 12-month credit losses: Expected credit losses due to possible defaults on financial instruments within a 12-month period from the year-end.	Expected lifetime credit losses: Expected credit losses from all possible defaults during the expected lifetime of the financial instruments.	

(*) Credit risk may be considered to not have been significantly increased when credit risk is low at year-end.

The Group has estimated the allowance for credit losses based on reasonable and supportable information that was available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Probability of default (PD) and Loss given default (LGD) for each category of financial asset is being calculated by considering factors such as debtor type, credit rating and portfolio. The estimates are regularly being reviewed in order to reduce discrepancies with actual losses.

Also, in measuring the expected credit losses, the Group is using reasonable and supportable macroeconomic indicators such as economic growth rates, interest rates, market index rates, etc., in order to forecast future economic conditions.

The Group is conducting the following procedures to estimate and apply future economic forecast information.

- Development of prediction models by analyzing the correlation between default rates of corporate and retail exposures per year and macroeconomic indicators
- Calculation of predicted default rate incorporating future economic forecasts by applying estimated macroeconomic indicators provided by verified institutions such as Bank of Korea and National Assembly Budget Office to the prediction model developed.

At the end of every reporting period, the Group evaluates whether credit risk reflected forward-looking information has significantly been increased since the date of initial recognition. When evaluating whether credit risk has significantly been increased, the changes in the probability of default over the financial instrument's remaining life is used instead of changes in the amount of expected credit losses. The Group performs the above evaluation with distinctions made to corporate and retail exposures, and indicators of significant increase in credit risk are as follows:

Corporate Exposures	Retail Exposures
Asset quality level 'Precautionary' or lower	Asset quality level 'Precautionary' or lower
More than 30 days past due	More than 30 days past due
'Warning' level in early warning system	Significant decrease in credit rating(*)
Debtor experiencing financial difficulties (Capital impairment, Adverse opinion or Disclaimer of opinion by external auditors)	
Significant decrease in credit rating(*)	

(*) Determining whether there has been a significant decrease in the credit rating of corporate and retail exposures applies only to credit ratings that are measured through 12-month expected credit loss. The Bank has applied the above indicators of significant decrease in credit rating since initial recognition as follows, and the estimation method is regularly being monitored.

	Credit rating	Significant increased indicator of the credit rating
Corporate	AAA ~ A+	More than 4 steps
	A- ~ BBB	More than 3 steps
	BBB- ~ BB+	More than 2 steps
	BB ~ BB-	More than 1 step
Retail	1 ~ 3	More than 3 steps
	4 ~ 5	More than 2 steps
	6 ~ 10	More than 1 step

The Group sees no significant increase in credit risk after initial recognition for debt securities, etc. with a credit rating of A + or higher, which are deemed to have low credit risk at the end of the reporting period

The Group concludes that credit is impaired when financial assets are under conditions stated below:

- When principal of loan is overdue for 90 days or longer due to significant deterioration in credit
- For loans overdue for less than 90 days, when it is determined that not even a portion of the loan will be recovered unless claim actions such as disposal of collaterals are taken
- When other objective indicators of impairment has been noted for the financial asset.

The Group determines which loan is subject to write-off in accordance with internal guidelines, and writes off loan receivables when it is determined that the loans are practically irrecoverable. For example, loans are practically irrecoverable when application is made for rehabilitation under the Debtor Rehabilitation and Bankruptcy Act and loans are confirmed as irrecoverable by the court's decision to waive debtor's obligation, or when it is impossible to recover the loan amount through legal means such as auctioning of debtor's assets or through any other means of recovery available. Notwithstanding the write-off, the Group may still exercise its right of collection after the asset has been written off in accordance with its collection policies.

(4) Defined benefit plan

The Group operates a defined benefit pension plan. Defined benefit obligation is calculated at every end of the reporting period by performing actuarial valuation, and estimation of assumptions such as discount rate, expected wage growth rate and mortality rate is required to perform such actuarial valuation. The defined benefit plan, due to its long-term nature, contains significant uncertainties in its estimates.

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 allocation of risk capital 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 goal of credit risk management is 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 unused loan commitment.

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

		December 31, 2018	December 31, 2017
Loans and other financial assets at amortized cost	Korean treasury and government agencies	13,547,154	-
	Banks	22,282,857	-
	Corporates	96,619,393	-
	Consumers	149,998,911	-
	Sub-total	<u>282,448,315</u>	<u>-</u>
Loans and receivables	Korean treasury and government agencies	-	8,823,584
	Banks	-	26,845,309
	Corporates	-	90,570,551
	Consumers	-	140,866,760
	Sub-total	<u>-</u>	<u>267,106,204</u>
Financial assets at FVTPL (K-IFRS 1109)	Deposit	26,935	-
	Debt securities	1,824,155	-
	Loans	385,450	-
	Derivative assets	2,026,079	-
	Sub-total	<u>4,262,619</u>	<u>-</u>
Financial assets at FVTPL (K-IFRS 1039)	Deposit	-	25,972
	Debt securities	-	2,644,333
	Financial assets designated at FVTPL	-	9,694
	Derivative assets	-	3,115,775
	Sub-total	<u>-</u>	<u>5,795,774</u>
Financial assets at FVTOCI	Debt securities	17,112,249	-
AFS financial assets	Debt securities	-	13,229,244
Securities at amortized cost	Debt securities	22,932,559	-
HTM financial assets	Debt securities	-	16,749,296
Derivative assets	Derivative assets (Designated for hedging)	35,503	59,272
Off-balance accounts	Guarantees	12,666,417	12,859,715
	Unused loan commitments	97,796,704	80,760,325
	Sub-total	<u>110,463,121</u>	<u>93,620,040</u>
Total		<u>437,254,366</u>	<u>396,559,830</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, 2018						Total
	Korea	China	USA	UK	Japan	Others (*)	
Loans and other financial assets at amortized cost	261,538,144	4,592,153	4,597,119	1,526,532	893,354	9,301,013	282,448,315
Securities at amortized cost	22,757,048	-	70,578	-	-	104,933	22,932,559
Financial assets at FVTPL	4,261,110	1,243	-	-	266	-	4,262,619
Financial assets at FVTOCI	15,697,518	261,085	103,755	24,960	2,247	1,022,684	17,112,249
Derivative assets (Designated for hedging)	35,503	-	-	-	-	-	35,503
Off-balance accounts	107,632,858	801,978	343,323	136,727	35,000	1,513,235	110,463,121
Total	411,922,181	5,656,459	5,114,775	1,688,219	930,867	11,941,865	437,254,366

	December 31, 2017						Total
	Korea	China	USA	UK	Japan	Others (*)	
Loans and receivables	250,678,479	4,104,912	2,823,247	1,094,988	381,890	8,022,688	267,106,204
Financial assets at FVTPL	5,551,870	2,937	-	148,955	-	92,012	5,795,774
AFS debt securities	12,407,602	52,259	151,131	-	-	618,252	13,229,244
HTM securities	16,606,692	-	63,732	-	-	78,872	16,749,296
Derivative assets (Designated for hedging)	16,590	-	-	42,682	-	-	59,272
Off-balance accounts	91,603,852	529,193	172,570	66,974	25,039	1,222,412	93,620,040
Total	376,865,085	4,689,301	3,210,680	1,353,599	406,929	10,034,236	396,559,830

(*) Others consist of financial assets in Indonesia, Hong Kong, Singapore, and other countries.

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, 2018						Total
	Service	Manufacturing	Finance and insurance	Construction	Individuals	Others	
Loans and other financial assets at amortized cost	48,316,081	34,967,700	40,337,838	3,295,967	145,715,074	9,815,655	282,448,315
Securities at amortized cost	1,157,512	-	13,414,743	527,847	-	7,832,457	22,932,559
Financial assets at FVTPL	120,659	153,159	3,117,845	16,118	7,614	847,224	4,262,619
Financial assets at FVTOCI	382,409	109,749	13,017,646	224,665	5,535	3,372,245	17,112,249
Derivative assets (Designated for hedging)	-	-	35,503	-	-	-	35,503
Off-balance accounts	17,645,104	22,300,388	9,654,685	4,146,708	49,948,865	6,767,371	110,463,121
Total	67,621,765	57,530,996	79,578,260	8,211,305	195,677,088	28,634,952	437,254,366

	December 31, 2017						Total
	Service	Manufacturing	Finance and insurance	Construction	Individuals	Others	
Loans and receivables	47,192,641	34,502,509	38,260,051	3,574,746	133,094,287	10,481,970	267,106,204
Financial assets at FVTPL	100,766	83,239	4,640,068	15,073	1,040	955,588	5,795,774
AFS debt securities	707,737	37,719	7,331,774	153,534	-	4,998,480	13,229,244
HTM securities	1,348,754	-	10,962,149	296,214	-	4,142,179	16,749,296
Derivative assets (Designated for hedging)	-	-	59,272	-	-	-	59,272
Off-balance accounts	16,892,926	21,427,378	9,841,379	3,842,479	36,928,554	4,687,324	93,620,040
Total	66,242,824	56,050,845	71,094,693	7,882,046	170,023,881	25,265,541	396,559,830

3) Credit risk exposure

a) Financial assets

The maximum exposure to credit risk by asset quality, except for financial assets at FVTPL and derivative asset (Designated for hedging) is as follows (Unit: Korean Won in millions):

	December 31, 2018							
	Stage 1		Stage 2		Stage 3	Total	Loss allowance	Total, net
	Above appropriate credit rating (*1)	Less than a limited credit rating (*3)	Above appropriate credit rating (*2)	Less than a limited credit rating (*3)				
Loans and other financial assets at amortized cost	252,911,704	17,624,416	6,330,382	5,739,850	1,693,148	284,299,500	(1,851,185)	282,448,315
Korean treasury and government agencies	13,549,305	1,009	1	-	-	13,550,315	(3,161)	13,547,154
Banks	22,162,966	105,583	27,777	-	14,307	22,310,633	(27,776)	22,282,857
Corporates	77,152,005	15,550,301	655,907	3,424,215	1,034,030	97,816,458	(1,197,065)	96,619,393
General business	43,165,455	6,474,057	526,303	1,723,704	716,722	52,606,241	(816,783)	51,789,458
Small- and medium-sized enterprise	29,510,917	8,527,542	107,998	1,547,761	277,825	39,972,043	(335,469)	39,636,574
Project financing and others	4,475,633	548,702	21,606	152,750	39,483	5,238,174	(44,813)	5,193,361
Consumers	140,047,428	1,967,523	5,646,697	2,315,635	644,811	150,622,094	(623,183)	149,998,911
Securities at amortized cost	22,939,039	-	195	-	250	22,939,484	(6,925)	22,932,559
Financial assets at FVTOCI (*4)	16,940,654	146,443	25,153	-	-	17,112,250	(6,177)	17,112,250
Total	292,791,397	17,770,859	6,355,730	5,739,850	1,693,398	324,351,234	(1,864,287)	322,493,124

	December 31, 2018			
	Collateral value			
	Stage1	Stage2	Stage3	Total
Loans and other financial assets at amortized cost	163,329,105	8,836,440	698,593	172,864,138
Korean treasury and government agencies	11,600	-	-	11,600
Banks	361,024	3,334	-	364,358
Corporates	51,595,949	2,509,620	426,325	54,531,894
General business	19,907,948	1,167,993	241,651	21,317,592
Small- and medium-sized enterprise	29,780,716	1,291,222	184,674	31,256,612
Project financing and others	1,907,285	50,405	-	1,957,690
Consumers	111,360,532	6,323,486	272,268	117,956,286
Securities at amortized cost	-	-	-	-
Financial assets at FVTOCI (*4)	-	-	-	-
Total	163,329,105	8,836,440	698,593	172,864,138

(*1) Credit grade of corporates are AAA ~ BBB, and consumers are grades 1 ~ 6.

(*2) Credit grade of corporates are A- ~ BBB, and consumers are grades 1 ~ 6.

(*3) Credit grade of corporates are BBB- ~ C, and consumers are grades 7 ~ 10.

(*4) Financial assets at FVTOCI has been disclosed as the amount before deducting loss allowance because loss allowance does not reduce the carrying amount.

- Loans and receivables

	December 31, 2017								
	Corporates							Consumers	Total
	Korean treasury and government agencies	Banks	General business	Small and medium sized enterprise	Project financing and others	Sub-total			
Neither overdue nor impaired	8,825,767	26,861,286	50,463,112	34,107,547	5,547,950	90,118,609	139,886,407	265,692,069	
Overdue but not impaired	8	-	65,616	63,067	-	128,683	878,406	1,007,097	
Impaired	-	-	1,402,131	251,431	46,717	1,700,279	537,001	2,237,280	
Total	8,825,775	26,861,286	51,930,859	34,422,045	5,594,667	91,947,571	141,301,814	268,936,446	
Loss allowance	2,191	15,977	1,078,733	267,162	31,125	1,377,020	435,054	1,830,242	
Total, net	8,823,584	26,845,309	50,852,126	34,154,883	5,563,542	90,570,551	140,866,760	267,106,204	

- 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, 2017			
	Financial assets at FVTPL (*)	AFS debt securities	HTM securities	Total
AAA	1,685,099	9,897,689	15,806,327	27,389,115
AA- ~ AA+	722,923	2,386,567	888,547	3,998,037
BBB- ~ A+	236,311	876,482	52,188	1,164,981
Below BBB-	9,694	68,506	2,234	80,434
Total	2,654,027	13,229,244	16,749,296	32,632,567

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

b) Guarantees and loan commitments

The credit quality of the guarantees and loan commitments as of December 31, 2018 as follows (Unit: Korean Won in millions):

Financial assets	December 31, 2018					
	Stage 1		Stage 2		Stage3	Total
	Above appropriate credit rating (*1)	Less than a limited credit rating (*3)	Above appropriate credit rating (*2)	Less than a limited credit rating (*3)		
Off-balance accounts						
Guarantees	11,212,772	1,063,551	7,147	261,599	121,348	12,666,417
Loan commitments	91,734,567	3,632,586	1,529,330	880,518	19,703	97,796,704
Total	102,947,339	4,696,137	1,536,477	1,142,117	141,051	110,463,121

(*1) Credit grade of corporates are AAA ~ BBB, and consumers are grades 1 ~ 6.

(*2) Credit grade of corporates are A- ~ BBB, and consumers are grades 1 ~ 6.

(*3) Credit grade of corporate are BBB- ~ C, and consumers are grades 7 ~ 10.

4) Collateral and other credit enhancements

During the current quarter, there have been no significant changes in the value of collateral or other credit enhancements held by the Group and there have been no significant changes in collateral or other credit enhancements due to changes in the collateral policy of the Group. As of December 31, 2018, there are no financial assets that do not recognize the allowance for losses just because financial assets have collateral.

5) For the financial assets that record loss allowance as total expected credit loss, the amortized cost before the change in contractual cash flows is 23,132 million won, and the net loss due to the change is 239 million won.

6) As the Group manages receivables that have not lost the right of claim to the debtor for the grounds of incomplete statute limitation and uncollected receivables under the related laws as receivable charge-offs, the balance as of December 31, 2018 is 9,578,796 million won.

(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 within the 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 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% confidence level. 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 Portfolio Value (“NPV”), are calculated for the Bank and the consolidated trusts, 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 VaR for the year ended December 31, 2018 and 2017, respectively, and the VaR as of December 31, 2018 and 2017, respectively, are as follows (Unit: Korean Won in millions):

Risk factor	December 31, 2018	For the year ended December 31, 2018			December 31, 2017	For the year ended December 31, 2017		
		Average	Maximum	Minimum		Average	Maximum	Minimum
Interest rate	3,107	3,702	5,528	1,730	4,183	3,799	4,918	2,467
Stock price	2,353	2,669	5,081	1,138	909	2,863	4,419	909
Foreign currencies	4,972	4,678	6,136	3,439	4,750	5,051	6,636	4,061
Commodity price	-	3	24	-	-	31	188	-
Diversification	(4,445)	(4,869)	(8,155)	(1,815)	(4,472)	(4,621)	(6,798)	(2,067)
Total VaR(*)	5,987	6,183	8,614	4,492	5,370	7,123	9,363	5,370

(*)VaR (Value at Risk): Maximum expected losses

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):

	December 31, 2018		December 31, 2017	
	NII(*1)	NPV(*2)	NII(*1)	NPV(*2)
Base case	4,895,332	24,636,678	4,916,138	23,472,792
Base case (Prepay)	4,887,799	24,225,946	4,916,015	23,163,942
IR 100bp up	5,575,470	24,415,761	5,361,546	22,886,122
IR 100bp down	4,329,543	24,907,344	4,386,437	24,127,559
IR 200bp up	6,603,132	24,232,738	5,806,723	22,372,208
IR 200bp down	3,508,859	25,245,667	3,452,590	24,830,482
IR 300bp up	7,560,155	24,079,415	6,251,897	21,929,189
IR 300bp down	3,352,267	25,680,084	2,254,609	26,633,807

(*1) NII: Net Interest Income

(*2) NPV: Net Portfolio Value

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

December 31, 2018		December 31, 2017	
EaR (*1)	VaR (*2)	EaR (*1)	VaR (*2)
248,364	141,484	255,679	130,821

(*1) EaR(Earning at Risk): Change of Maximum expected income and expense

(*2) VaR(Value at Risk): Maximum expected losses

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 (both principal and interest), interest bearing assets and liabilities, presented by each re-pricing date, are as follows (Unit: Korean Won in millions):

		December 31, 2018						
		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 other financial assets at amortized cost		159,893,080	45,387,214	8,878,060	9,903,959	46,459,450	4,201,379	274,723,142
Financial assets at FVTPL		371,984	32,278	24,951	64,838	145,121	27,536	666,708
Financial assets at FVTOCI		2,579,442	1,775,435	1,486,953	2,223,494	9,289,742	185,320	17,540,386
Securities at amortized cost		2,449,416	2,251,180	1,735,698	1,946,948	15,177,608	402,671	23,963,521
Total		<u>165,293,922</u>	<u>49,446,107</u>	<u>12,125,662</u>	<u>14,139,239</u>	<u>71,071,921</u>	<u>4,816,906</u>	<u>316,893,757</u>
Liability:								
Deposits due to customers		100,232,916	44,207,416	29,419,951	35,427,657	40,130,055	72,276	249,490,271
Borrowings		9,971,680	1,924,390	670,404	518,167	2,723,156	626,364	16,434,161
Debentures		2,143,916	2,416,483	2,201,070	2,584,230	18,955,400	2,403,077	30,704,176
Total		<u>112,348,512</u>	<u>48,548,289</u>	<u>32,291,425</u>	<u>38,530,054</u>	<u>61,808,611</u>	<u>3,101,717</u>	<u>296,628,608</u>
		December 31, 2017						
		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		161,653,892	41,671,530	7,614,159	6,411,841	54,150,998	26,272,958	297,775,378
AFS financial assets		2,150,708	2,500,103	2,016,711	2,367,762	4,229,000	601,735	13,866,019
HTM financial assets		2,286,179	2,161,467	1,433,425	1,687,362	9,369,794	345,868	17,284,095
Total		<u>166,090,779</u>	<u>46,333,100</u>	<u>11,064,295</u>	<u>10,466,965</u>	<u>67,749,792</u>	<u>27,220,561</u>	<u>328,925,492</u>
Liability:								
Deposits due to customers		106,815,564	37,750,367	25,117,556	27,585,458	37,518,878	91,246	234,879,069
Borrowings		9,865,249	1,056,579	412,966	437,431	2,709,010	479,827	14,961,062
Debentures		1,955,902	2,452,240	1,018,563	1,752,847	19,770,538	2,869,766	29,819,856
Total		<u>118,636,715</u>	<u>41,259,186</u>	<u>26,549,085</u>	<u>29,775,736</u>	<u>59,998,426</u>	<u>3,440,839</u>	<u>279,659,987</u>

3) Currency risk

Currency risk arises from the 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, 2018									
		USD		JPY		CNY		EUR		Others	Total
		Foreign currency	Korean Won equivalent	Foreign currency	Korean Won equivalent	Foreign currency	Korean Won equivalent	Foreign currency	Korean Won equivalent	Korean Won equivalent	Korean Won equivalent
Asset	Loans and other financial assets at amortized cost	20,406	22,816,027	167,419	1,696,255	29,880	4,863,230	1,994	2,550,147	4,742,340	36,667,999
	Financial assets at FVTPL	74	82,197	1,425	14,434	-	-	59	75,169	79,584	251,384
	Financial assets at FVTOCI	1,472	1,645,595	-	-	1,604	261,085	-	-	729,581	2,636,261
	Securities at amortized cost	52	58,489	-	-	-	-	-	-	175,552	234,041
	Total	22,004	24,602,308	168,844	1,710,689	31,484	5,124,315	2,053	2,625,316	5,727,057	39,789,685
Liability	Financial liabilities at FVTPL	118	131,927	1,956	19,815	-	-	55	70,250	121,658	343,650
	Deposits due to customers	11,159	12,477,154	169,770	1,720,072	23,967	3,900,923	887	1,135,149	4,392,936	23,626,234
	Borrowings	6,606	7,386,616	3,834	38,847	381	61,947	286	365,585	505,541	8,358,536
	Debentures	3,645	4,075,084	-	-	-	-	-	-	285,339	4,360,423
	Other financial liabilities	2,522	2,820,290	28,955	293,362	1,818	295,919	193	246,584	18,527	3,674,682
	Total	24,050	26,891,071	204,515	2,072,096	26,166	4,258,789	1,421	1,817,568	5,324,001	40,363,525
Off-balance accounts	7,453	8,333,153	33,347	337,868	1,557	253,366	474	606,714	823,655	10,354,756	

		December 31, 2017									
		USD		JPY		CNY		EUR		Others	Total
		Foreign currency	Korean Won equivalent	Foreign currency	Korean Won equivalent	Foreign currency	Korean Won equivalent	Foreign currency	Korean Won equivalent	Korean Won equivalent	Korean Won equivalent
Asset	Loans and receivables	23,000	24,642,900	126,944	1,204,843	25,224	4,127,936	1,156	1,479,351	3,937,733	35,392,763
	Financial assets at FVTPL	32	34,303	25	238	-	-	27	34,583	104,892	174,016
	AFS financial assets	1,966	2,105,972	-	-	319	52,259	-	590	302,801	2,461,622
	HTM financial assets	111	118,868	-	-	-	-	-	-	78,175	197,043
	Total	25,109	26,902,043	126,969	1,205,081	25,543	4,180,195	1,183	1,514,524	4,423,601	38,225,444
Liability	Financial liabilities at FVTPL	41	43,423	79	752	-	-	19	24,878	69,977	139,030
	Deposits due to customers	13,744	14,725,686	195,176	1,852,440	21,865	3,578,142	883	1,129,802	2,396,826	23,682,896
	Borrowings	6,604	7,080,118	2,218	21,056	-	-	247	315,685	242,874	7,659,733
	Debentures	3,467	3,714,411	-	-	700	114,555	-	-	375,749	4,204,715
	Other financial liabilities	2,392	2,562,740	16,125	153,043	1,802	294,950	129	165,189	588,625	3,764,547
	Total	26,248	28,126,378	213,598	2,027,291	24,367	3,987,647	1,278	1,635,554	3,647,051	39,450,921
Off-balance accounts	8,108	8,687,009	33,624	319,127	1,199	196,261	406	519,843	176,886	9,899,126	

(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 the maturity gap and such gap ratio through 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, 2018						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	191,825	-	-	-	-	-	191,825
Deposits due to customers	145,187,689	33,825,662	22,186,833	42,046,740	7,098,907	1,870,334	252,216,165
Borrowings	6,373,835	2,846,294	1,874,069	1,607,985	3,156,128	642,017	16,500,328
Debentures	2,143,916	2,416,483	2,201,070	2,584,230	18,955,400	2,403,077	30,704,176
Other financial liabilities	14,240,022	44,572	169,996	1,201	90,615	2,288,560	16,834,966
Total	168,137,287	39,133,011	26,431,968	46,240,156	29,301,050	7,203,988	316,447,460

	December 31, 2017						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	168,442	155,984	1,717	512	375	-	327,030
Deposits due to customers	148,008,777	29,563,310	18,175,348	32,468,110	7,409,118	2,624,594	238,249,257
Borrowings	6,115,732	1,893,173	1,489,272	1,178,107	3,924,681	479,568	15,080,533
Debentures	1,955,255	2,452,565	1,018,714	1,744,731	19,770,380	2,869,699	29,811,344
Other financial liabilities	7,121,342	162,871	825	1,003	128,940	2,730,001	10,144,982
Total	163,369,548	34,227,903	20,685,876	35,392,463	31,233,494	8,703,862	293,613,146

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, 2018						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	191,825	-	-	-	-	-	191,825
Deposits due to customers	163,787,990	38,126,886	20,993,436	23,262,092	5,230,533	17,649	251,418,586
Borrowings	6,373,835	2,846,294	1,874,069	1,607,985	3,156,128	642,017	16,500,328
Debentures	2,143,916	2,416,483	2,201,070	2,584,230	18,955,400	2,403,077	30,704,176
Other financial liabilities	14,240,022	44,572	169,996	1,201	90,615	2,288,560	16,834,966
Total	186,737,588	43,434,235	25,238,571	27,455,508	27,432,676	5,351,303	315,649,881

	December 31, 2017						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	168,442	155,984	1,717	512	375	-	327,030
Deposits due to customers	159,146,602	31,298,562	16,667,130	21,995,294	6,487,047	2,278,756	237,873,391
Borrowings	6,115,732	1,893,173	1,489,272	1,178,107	3,924,681	479,568	15,080,533
Debentures	1,955,255	2,452,565	1,018,714	1,744,731	19,770,380	2,869,699	29,811,344
Other financial liabilities	7,121,342	162,871	825	1,003	128,940	2,730,001	10,144,982
Total	174,507,373	35,963,155	19,177,658	24,919,647	30,311,423	8,358,024	293,237,280

3) Maturity analysis of derivative financial liabilities

Derivatives held for trading purpose are not managed in accordance with their contractual maturity, since 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. Derivatives designated for hedging purpose are estimated by offsetting cash inflows and cash outflows.

The cash flow by the maturity of derivative financial liabilities as of December 31, 2018 and 2017 is as follows (Unit: Korean Won in millions):

	Remaining maturity						Total
	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	Over 5 years	
December 31, 2018	2,090,861	816	-	-	50,592	-	2,142,269
December 31, 2017	3,150,149	-	-	381	67,373	-	3,217,903

4) Maturity analysis of off-balance accounts (Guarantees and loan commitments)

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. 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, unused loan commitments, and other guarantees, however, under the terms of the guarantees and unused 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, 2018	December 31, 2017
Guarantees	12,666,417	12,859,715
Loan commitments	97,796,704	80,760,325

(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 Approaches (“AMA”) 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 an 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 AMA using internal and external loss data, business environment and internal control factors, and scenario analysis. 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 standard is based on Basel published by Basel III Committee on Banking Supervision in Bank for International Settlement in 2010 and was implemented in Korea in 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 the above regulations, the Group is required to meet the following new minimum requirements: Common Equity Tier 1 capital ratio of 7.13% and 6.25%, a Tier 1 capital ratio of 8.63% and 7.75% and a minimum total capital ratio of 10.63% and 9.75% as of December 31, 2018 and December 31, 2017, respectively.

Details of the Group’s capital adequacy ratio as of December 31, 2018 and 2017 are as follows (Unit: Korean Won in millions):

	December 31, 2018	December 31, 2017
Tier 1 capital	17,275,539	16,074,987
Other Tier 1 capital	3,147,680	3,041,664
Tier 2 capital	3,827,573	3,486,555
Total risk-adjusted capital	24,250,792	22,603,206
Risk-weighted assets for credit risk	142,626,069	134,767,711
Risk-weighted assets for market risk	2,372,451	2,316,938
Risk-weighted assets for operational risk	9,972,430	9,677,559
Total risk-weighted assets	154,970,950	146,762,208
Common Equity Tier 1 ratio	11.15%	10.95%
Tier 1 capital ratio	13.18%	13.03%
Total capital ratio	15.65%	15.40%

5. OPERATING SEGMENTS

In evaluating the results of the Group and allocating resources, the Group's Chief Operation Decision Maker ("CODM") utilizes the information per type 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 type of customers

The Group's reporting segments comprise the following customers: consumer banking, corporate banking, investment banking, capital market, credit card market 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 retail and individual consumers, 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 in securities and derivatives, etc.
- Credit card: Credit card, cash service and card loan, etc.
- Headquarter and others: Segments that do not belong to above operating segments

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

	For the year ended December 31, 2018								
	Consumer banking	Corporate banking	Investment banking	Capital market	Credit cards	Headquarters and others	Sub-total	Adjustments(*)	Total
Net Interest income(expense)									
Interest income	3,529,645	3,409,835	152,273	8,945	670,240	1,605,696	9,376,634	307,865	9,684,499
Interest expense	(1,021,639)	(2,168,000)	(150)	-	(160,642)	(983,547)	(4,333,978)	300,430	(4,033,548)
Inter-segment	(634,110)	833,224	(163,962)	25,963	-	(61,115)	-	-	-
	<u>1,873,896</u>	<u>2,075,059</u>	<u>(11,839)</u>	<u>34,908</u>	<u>509,598</u>	<u>561,034</u>	<u>5,042,656</u>	<u>608,295</u>	<u>5,650,951</u>
Net non-interest Income(expense)									
Non-interest income	678,360	721,096	230,357	7,020,740	665,534	1,214,380	10,530,467	(8,463,129)	2,067,338
Non-interest expense	(143,704)	(290,347)	(53,671)	(6,964,671)	(620,687)	(550,919)	(8,623,999)	7,618,618	(1,005,381)
Inter-segment	132,690	70,016	-	-	-	(202,706)	-	-	-
	<u>667,346</u>	<u>500,765</u>	<u>176,686</u>	<u>56,069</u>	<u>44,847</u>	<u>460,755</u>	<u>1,906,468</u>	<u>(844,511)</u>	<u>1,061,957</u>
Other income(expense)									
General and administrative expense	(1,865,933)	(868,608)	(14,318)	(18,452)	(170,765)	(967,923)	(3,905,999)	281,966	(3,624,033)
Reversal of allowance for credit loss and impairment losses due to credit loss	(127,220)	(61,064)	62,454	(16,861)	(227,144)	102,574	(267,261)	(62,313)	(329,574)
	<u>(1,993,153)</u>	<u>(929,672)</u>	<u>48,136</u>	<u>(35,313)</u>	<u>(397,909)</u>	<u>(865,349)</u>	<u>(4,173,260)</u>	<u>219,653</u>	<u>(3,953,607)</u>
Operating income(expenses)	548,089	1,646,152	212,983	55,664	156,536	156,440	2,775,864	(16,563)	2,759,301
Non-operating income(expenses)	(20,208)	899	32,738	-	(5,547)	56,829	64,711	(19,140)	45,571
Net income(expense) before income tax expense	527,881	1,647,051	245,721	55,664	150,989	213,269	2,840,575	(35,703)	2,804,872
Income tax expense	(145,167)	(445,619)	(67,573)	(15,308)	(36,222)	(41,088)	(750,977)	(2,246)	(753,223)
Net income(expense)	<u>382,714</u>	<u>1,201,432</u>	<u>178,148</u>	<u>40,356</u>	<u>114,767</u>	<u>172,181</u>	<u>2,089,598</u>	<u>(37,949)</u>	<u>2,051,649</u>

(*) These adjustments are performed in order to present intersegment profit or loss adjustments based on managerial accounting as profit or loss in accordance with K-IFRS.

	For the year ended December 31, 2017								
	Consumer banking	Corporate banking	Investment banking	Capital market	Credit cards	Headquarters and others	Sub-total	Adjustments(*)	Total
Net Interest income									
Interest income	3,149,625	2,964,813	148,500	18,834	599,550	1,360,734	8,242,056	308,631	8,550,687
Interest expense	(955,836)	(1,681,652)	(243)	-	(135,947)	(834,662)	(3,608,340)	278,303	(3,330,037)
Inter-segment	(490,850)	512,216	(136,133)	18,049	-	96,718	-	-	-
	<u>1,702,939</u>	<u>1,795,377</u>	<u>12,124</u>	<u>36,883</u>	<u>463,603</u>	<u>622,790</u>	<u>4,633,716</u>	<u>586,934</u>	<u>5,220,650</u>
Net non-interest Income(expense)									
Non-interest income	802,387	680,778	366,523	9,548,399	1,163,575	2,683,407	15,245,069	(12,858,172)	2,386,897
Non-interest expense	(253,961)	(170,268)	(214,355)	(9,478,728)	(1,090,038)	(2,132,053)	(13,339,403)	12,204,532	(1,134,871)
Inter-segment	101,524	60,826	-	-	-	(162,350)	-	-	-
	<u>649,950</u>	<u>571,336</u>	<u>152,168</u>	<u>69,671</u>	<u>73,537</u>	<u>389,004</u>	<u>1,905,666</u>	<u>(653,640)</u>	<u>1,252,026</u>
Other income(expense)									
General and administrative expense	(1,808,974)	(832,429)	(12,881)	(16,567)	(163,536)	(954,238)	(3,788,625)	257,824	(3,530,801)
Reversal of allowance for credit loss and impairment losses due to credit loss	(97,587)	(316,859)	(50,954)	31,229	(235,116)	14,832	(654,455)	(130,678)	(785,133)
	<u>(1,906,561)</u>	<u>(1,149,288)</u>	<u>(63,835)</u>	<u>14,662</u>	<u>(398,652)</u>	<u>(939,406)</u>	<u>(4,443,080)</u>	<u>127,146</u>	<u>(4,315,934)</u>
Operating income	446,328	1,217,425	100,457	121,216	138,488	72,388	2,096,302	60,440	2,156,742
Non-operating income(expense)	(98,510)	(3,153)	39,350	-	(5,219)	(112,734)	(180,266)	(26,970)	(207,236)
Net income before income tax expense	347,818	1,214,272	139,807	121,216	133,269	(40,346)	1,916,036	33,470	1,949,506
Income tax expense	(84,172)	(296,634)	(33,834)	(29,335)	(32,055)	63,396	(412,634)	(6,784)	(419,418)
Net income(expense)	<u>263,646</u>	<u>917,638</u>	<u>105,973</u>	<u>91,881</u>	<u>101,214</u>	<u>23,050</u>	<u>1,503,402</u>	<u>26,686</u>	<u>1,530,088</u>

(*) These adjustments are performed in order to present intersegment profit or loss adjustments based on managerial accounting as profit or loss in accordance with K-IFRS.

(2) Information on products and services

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

(3) Information on geographical areas

Of the Group's revenue (interest income and non-interest income) from services, revenue from the domestic customers for the years ended December 31, 2018 and 2017 amounted to 10,440,668 million Won and 9,817,327 million Won, respectively, and revenue from the foreign customers amounted to 1,311,169 million Won and 1,120,257 million Won, respectively. Of the Group's non-current assets (investments in joint ventures and associates, investment properties, premises and equipment and intangible assets), non-current assets attributed to domestic subsidiaries as of December 31, 2018 and 2017 are 3,531,842 million Won and 3,550,764 million Won, respectively, and foreign subsidiaries are 236,050 million Won and 233,732 million Won, respectively.

(4) Information about major customers

The Group does not have any single customer that generates 10% or more of the Group's total revenue.

6. CASH AND CASH EQUIVALENTS

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash	2,107,850	2,009,363
Foreign currencies	725,083	617,155
Demand deposits	3,512,216	3,423,355
Fixed deposits	367,474	858,413
Total	<u>6,712,623</u>	<u>6,908,286</u>

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

	<u>For the years ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Changes in other comprehensive income related to valuation of financial assets at FVTOCI	2,505	-
Changes in other comprehensive income related to available-for-sale securities	-	(84,498)
Changes in other comprehensive income related to valuation of equity method investments	2,958	612
Changes in other comprehensive income related to valuation gain or loss on cash flow hedge	(4,646)	777
Changes in financial assets at FVTOCI as a result of debt-equity swap	14,378	-
Changes in investments in associates due to debt-equity swap	-	51,227
Changes in investments in associates due to accounts transfer	(89,151)	(62,571)
Changes in unpaid dividends on hybrid equity securities	3,569	(10,658)
Changes in equity related to assets held for distribution (sale)	(17,342)	4,145
Classified to assets held for distribution (sale) from premises and equipment	15,594	-
Classified to assets held for distribution (sale) from deferred tax assets	9,778	-

- (3) Adjustments of liabilities from financing activities in current year are as follows (Unit: Korean Won in millions):

For the year ended December 31, 2018						
Not involving cash inflows and outflows						
	January		Foreign	Variation of	Others	December
	1,2018	Cash flow	Exchange	gains on		31,2018
				valuation of		
				hedged		
				items		
Borrowings	14,784,706	1,257,121	161,078	-	81	16,202,986
Debentures	27,869,651	602,331	267,339	(25,498)	12,039	28,725,862
Total	42,654,357	1,859,452	428,417	(25,498)	12,120	44,928,848

For the year ended December 31, 2017						
Not involving cash inflows and outflows						
	January		Foreign	Variation of	Others	December
	1,2017	Cash flow	Exchange	gains on		31,2017
				valuation of		
				hedged		
				items		
Borrowings	18,769,515	(3,634,883)	(350,429)	-	503	14,784,706
Debentures	23,565,449	4,817,701	(478,249)	(39,373)	4,123	27,869,651
Total	42,334,964	1,182,818	(828,678)	(39,373)	4,626	42,654,357

7. FINANCIAL ASSETS AT FVTPL

- (1) Financial assets at FVTPL are as follows (Unit: Korean Won in millions):

	December 31, 2018	December 31, 2017
Financial assets at fair value through profit or loss mandatorily measured at fair value	6,126,183	-
Financial assets held for trading	-	5,820,787
Financial assets designated at FVTPL	-	22,290
Total	6,126,183	5,843,077

- (2) Financial assets at fair value through profit or loss mandatorily measured at fair value and financial assets held for trading are as follows (Unit: Korean Won in millions):

	December 31, 2018	December 31, 2017
Deposits:		
Gold banking asset	26,935	25,972
Securities:		
Debt securities		
Korean treasury and government agencies	516,173	540,438
Financial institutions	533,393	1,476,498
Corporates	774,589	627,397
Equity securities	455,666	21,666
Capital contributions	422,481	-
Beneficiary certificates	985,417	13,041
Sub-total	3,687,719	2,679,040
Loans	385,450	-
Derivatives assets	2,026,079	3,115,775
Total	6,126,183	5,820,787

- (3) Financial assets at fair value through profit or loss designated as upon initial recognition is nil as of December 31, 2018 and financial assets at fair value through profit or loss designated as upon initial recognition as of December 31, 2017 is as follows (Unit: Korean Won in millions):

	<u>December 31, 2017</u>
Debt securities	9,694
Equity securities	<u>12,596</u>
Total	<u>22,290</u>

8. FINANCIAL ASSETS AT FVTOCI AND AFS FINANCIAL ASSETS

- (1) Details of financial assets at FVTOCI as of December 31, 2018 is as follows (Unit: Korean Won in millions):

	<u>December 31, 2018</u>
Debt securities:	
Korean treasury and government agencies	1,358,378
Financial institutions	11,252,790
Corporates	1,824,843
Bond denominated in foreign currencies	<u>2,636,209</u>
Sub-total	<u>17,072,220</u>
Equity securities	951,174
Securities loaned	<u>40,029</u>
Total	<u>18,063,423</u>

- (2) Details of equity securities designated as financial assets at FVTOCI are as follows (Unit: Korean Won in millions):

<u>Purpose of acquisition</u>	<u>December 31, 2018</u>
	<u>Fair value</u>
Strategic business partnership	662,934
Debt-equity swap	287,990
Others (Cooperative insurance, etc.)	<u>250</u>
Total	<u>951,174</u>

- (3) Changes in the loss allowance and gross carrying amount of financial assets at FVTOCI are as follows (Unit: Korean Won in millions):

1) Loss allowance

	<u>For the year ended December 31, 2018</u>			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Beginning balance (*1)	(4,107)	(129)	-	(4,236)
Transfer to 12-month expected credit losses	-	-	-	-
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to credit-impaired financial assets	-	-	-	-
Net provision of loss allowance	(1,918)	(109)	-	(2,027)
Others (*2)	<u>86</u>	-	-	<u>86</u>
Ending balance	<u>(5,939)</u>	<u>(238)</u>	<u>-</u>	<u>(6,177)</u>

(*1) The beginning balance was restated in accordance with K-IFRS 1109.

(*2) Others consist of foreign currencies translation, etc.

2) Gross carrying amount

	For the year ended December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Beginning balance	12,843,997	30,212	-	12,874,209
Transfer to 12-month expected credit losses	-	-	-	-
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to credit-impaired financial assets	-	-	-	-
Acquisition	13,275,429	10,000	-	13,285,429
Disposal	(9,146,307)	(15,047)	-	(9,161,354)
Gain (loss) on valuation	70,017	(59)	-	69,958
Amortization on the effective interest method	10,195	47	-	10,242
Others (*)	33,765	-	-	33,765
Ending balance	17,087,096	25,153	-	17,112,249

(*) Others consist of foreign currencies translation, etc.

- (4) The Group disposed equity securities designated as financial assets at FVTOCI as the creditors determined to sell the securities for the year ended December 31, 2018. The fair value and accumulative gain on valuation of that equity securities at disposal date are 9,379 million Won and 1,392 million Won, respectively.
- (5) Details of AFS financial assets as of December 31, 2017 is as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2017			
	Amortized cost	Cumulative gains on valuation	Cumulative losses on valuation	Fair value
Debt securities:				
Korean treasury and government agencies	2,338,760	1,193	(9,386)	2,330,567
Financial institutions	5,225,921	1,504	(10,159)	5,217,266
Corporates	2,727,016	3,851	(5,635)	2,725,232
Asset-backed securities	309,518	-	(1,337)	308,181
Bond denominated in foreign currencies	2,449,954	3,100	(10,475)	2,442,579
Others	35,154	21	(12)	35,163
Sub-total	13,086,323	9,669	(37,004)	13,058,988
Equity securities	982,393	430,921	(2,236)	1,411,078
Beneficiary certificates	697,655	18,701	(3,728)	712,628
Securities loaned	169,988	664	(396)	170,256
Total	14,936,359	459,955	(43,364)	15,352,950

9. SECURITIES AT AMORTIZED COST AND HTM FINANCIAL ASSETS

- (1) Details of securities at amortized cost as of December 31, 2018 is as follows (Unit: Korean Won in millions):

	December 31, 2018
Korean treasury and government agencies	7,523,458
Financial institutions	9,474,922
Corporates	5,707,063
Bond denominated in foreign currencies	234,041
Loss allowance	(6,925)
Total	22,932,559

- (2) Changes in the loss allowance and gross carrying amount of securities at amortized cost are as follows
(Unit: Korean Won in millions):

1) Loss allowance

	For the year ended December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Beginning balance (*1)	(5,078)	-	-	(5,078)
Transfer to 12-month expected credit losses	-	-	-	-
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to credit-impaired financial assets	-	-	-	-
Net provision of loss allowance	(1,922)	-	-	(1,922)
Disposal	22	-	-	22
Others(*2)	54	-	-	54
Ending balance	(6,924)	-	-	(6,924)

(*1) The beginning balance was restated in accordance with K-IFRS 1109.

(*2) Others consist of foreign currencies translation, etc.

2) Gross carrying amount

	For the year ended December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Beginning balance	16,749,296	-	-	16,749,296
Transfer to 12-month expected credit losses	-	-	-	-
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to credit-impaired financial assets	-	-	-	-
Acquisition	15,622,847	-	-	15,622,847
Disposal / Redemption	(9,426,757)	-	-	(9,426,757)
Amortization on the effective interest method	(7,970)	-	-	(7,970)
Others (*)	2,068	-	-	2,068
Ending balance	22,939,484	-	-	22,939,484

(*) Others consist of foreign currencies translation, etc.

- (3) Details of HTM financial assets as of December 31, 2017 are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2017			
	Amortized cost	Cumulative gains on valuation	Cumulative losses on valuation	Fair value
Korean treasury and government agencies	3,994,857	6,944	(15,266)	3,986,535
Financial institutions	7,245,426	2,923	(15,067)	7,233,282
Corporates	5,311,970	12,367	(25,326)	5,299,011
Bond denominated in foreign currencies	197,043	832	(1,024)	196,851
Total	16,749,296	23,066	(56,683)	16,715,679

10. LOANS AND OTHER FINANCIAL ASSETS AT AMORTIZED COST, AND LOANS AND RECEIVABLES

- (1) Details of loans and other financial assets at amortized cost as of December 31, 2018 and loans and receivables as of December 31, 2017 are as follows (Unit: Korean Won in millions):

	December 31, 2018	December 31, 2017
Due from banks	14,150,027	8,868,378
Loans	260,819,917	251,523,301
Other financial assets(other receivables)	7,478,371	6,714,525
Total	<u>282,448,315</u>	<u>267,106,204</u>

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

	December 31, 2018	December 31, 2017
Due from banks in local currency:		
Due from The Bank of Korea (“BOK”)	11,034,602	6,246,496
Due from depository banks	90,003	30,003
Due from non-depository institutions	76	150
Due from the Korea Exchange	30,000	50,000
Others	85,915	97,365
Loss allowance	(3,069)	(1,541)
Sub-total	<u>11,237,527</u>	<u>6,422,473</u>
Due from banks in foreign currencies:		
Due from banks on demand	828,022	794,353
Due from banks on time	1,288,303	972,915
Others	798,493	679,554
Loss allowance	(2,318)	(917)
Sub-total	<u>2,912,500</u>	<u>2,445,905</u>
Total	<u>14,150,027</u>	<u>8,868,378</u>

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

	Counterparty	December 31, 2018	Reason of restriction
Due from banks in local currency:			
Due from BOK	The BOK	11,034,602	Reserve deposits under the BOK Act
Others	The Korea Exchange and others	81,889	Central counterparty KRW margin and others
Sub-total		<u>11,116,491</u>	
Due from banks in foreign currencies:			
Due from banks on demand	The BOK and others	780,576	Reserve deposits under the BOK Act and others
Others	Korea Investment & Securities and others	798,493	Overseas futures and options trade deposits and others
Sub-total		<u>1,579,069</u>	
Total		<u>12,695,560</u>	

		Counterparty	December 31, 2017	Reason of restriction
Due from banks in local currency:				
Due from BOK	The BOK		6,246,496	Reserve deposits under the BOK Act
Others	The Korea Exchange and others		94,394	Central counterparty KRW margin and others
	Sub-total		6,340,890	
Due from banks in foreign currencies:				
Due from banks on demand	The BOK and others		787,520	Reserve deposits under the BOK Act and others
Others	The People's Bank of China and others		367,108	Reserve deposits and others
	Sub-total		1,154,628	
	Total		7,495,518	

(4) Changes in the loss allowance and gross carrying amount of due from banks are as follows (Unit: Korean Won in millions):

1) Loss allowance

	For the year ended December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Beginning balance (*1)	(3,092)	-	-	(3,092)
Transfer to 12-month expected credit losses	-	-	-	-
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to credit-impaired financial assets	-	-	-	-
Net provision of loss allowance	(2,219)	-	-	(2,219)
Others (*2)	(76)	-	-	(76)
Ending balance	(5,387)	-	-	(5,387)

(*1) The beginning balance was restated in accordance with K-IFRS 1109.

(*2) Others consist of foreign currencies translation and etc.

2) Gross carrying amount

	For the year ended December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Beginning balance	8,870,835	-	-	8,870,835
Transfer to 12-month expected credit losses	-	-	-	-
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to credit-impaired financial assets	-	-	-	-
Net increase	5,301,259	-	-	5,301,259
Other	(16,680)	-	-	(16,680)
Ending balance	14,155,414	-	-	14,155,414

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

	December 31, 2018	December 31, 2017
Loans in local currency	210,701,421	200,213,230
Loans in foreign currencies	15,239,032	13,147,888
Domestic banker's letter of credit	2,934,366	2,516,907
Credit card accounts	8,051,384	6,827,295
Bills bought in foreign currencies	7,874,457	8,197,159
Bills bought in local currency	22,885	334,714
Factoring receivables	45,851	137,523
Advances for customers on guarantees	13,810	23,620
Private placement bonds	365,531	362,319
Securitized loans	1,377,072	563,152
Call loans	2,669,080	3,003,455
Bonds purchased under resale agreements	11,701,951	16,859,064
Others	1,037,283	607,325
Loan origination costs and fees	574,178	510,860
Discounted present value	(10,308)	(10,988)
Loss allowance	(1,778,076)	(1,770,222)
Total	<u>260,819,917</u>	<u>251,523,301</u>

(6) Changes in the loss allowance on loans for the year ended December 31, 2018 are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2018					
	Consumers			Corporates		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Beginning balance (*1)	(101,479)	(41,358)	(117,168)	(365,251)	(255,922)	(905,243)
Transfer to 12-month expected credit losses	(9,848)	8,966	882	(24,324)	22,658	1,666
Transfer to lifetime expected credit losses	5,905	(7,183)	1,278	15,074	(407,780)	392,706
Transfer to credit-impaired financial assets	79,078	47,343	(126,421)	62,731	97,750	(160,481)
Net reversal (provision) of loss allowance	(86,224)	(56,164)	(49,637)	(68,381)	193,392	(94,004)
Recoveries of loans previously charged off	-	-	(51,855)	-	-	(127,630)
Charge-off	-	-	204,552	-	-	290,109
Disposal	-	33	1,633	-	237	49,902
Unwinding effect	-	-	7,945	-	-	23,381
Others (*2)	(1,941)	(5)	(1,115)	31,840	46	1,921
Ending balance	<u>(114,509)</u>	<u>(48,368)</u>	<u>(129,906)</u>	<u>(348,311)</u>	<u>(349,619)</u>	<u>(527,673)</u>

	For the year ended December 31, 2018						
	Credit card accounts			Sub-total			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Beginning balance (*1)	(57,134)	(71,463)	(102,858)	(523,864)	(368,743)	(1,125,269)	(2,017,876)
Transfer to 12-month expected credit losses	(13,846)	13,738	108	(48,018)	45,362	2,656	-
Transfer to lifetime expected credit losses	5,871	(6,194)	323	26,850	(421,157)	394,307	-
Transfer to credit-impaired financial assets	82,406	84,048	(166,454)	224,215	229,141	(453,356)	-
Net reversal (provision) of loss allowance	(82,083)	(98,260)	(33,205)	(236,688)	38,968	(176,846)	(374,566)
Recoveries of loans previously charged off	-	-	(57,565)	-	-	(237,050)	(237,050)
Charge-off	-	-	242,879	-	-	737,540	737,540
Disposal	-	-	-	-	270	51,535	51,805
Unwinding effect	-	-	-	-	-	31,326	31,326
Others (*2)	(1)	-	-	29,898	41	806	30,745
Ending balance	<u>(64,787)</u>	<u>(78,131)</u>	<u>(116,772)</u>	<u>(527,607)</u>	<u>(476,118)</u>	<u>(774,351)</u>	<u>(1,778,076)</u>

(*1) The beginning balance was restated in accordance with K-IFRS 1109.

(*2) Others consist of debt-equity swap, foreign currencies translation and etc.

Changes in the loss allowances on loans and receivables for the year ended December 31, 2017, are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2017				
	Consumers	Corporates	Credit card	Others	Total
Beginning balance	(163,858)	(1,498,842)	(155,372)	(209,024)	(2,027,096)
Net reversal (provision) of loss allowance	(131,275)	(539,222)	(203,968)	12,192	(862,273)
Recoveries of loans previously charged off	(45,060)	(84,413)	(51,366)	(68)	(180,907)
Charge-off	142,099	453,249	228,640	63,181	887,169
Disposal	898	65,145	-	29,186	95,229
Unwinding effect	8,643	36,548	-	-	45,191
Others(*)	908	211,729	1	(193)	212,445
Ending balance	(187,645)	(1,355,806)	(182,065)	(104,726)	(1,830,242)

(*) Others consist of debt-equity swap, foreign currencies translation and etc.

(7) Changes in the gross carrying amount of loans are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2018					
	Consumers			Corporates		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Beginning balance	103,502,347	5,487,758	326,739	131,096,396	4,466,354	1,622,409
Transfer to 12-month expected credit losses	1,921,485	(1,912,046)	(9,439)	1,081,702	(1,077,895)	(3,807)
Transfer to lifetime expected credit losses	(3,186,506)	3,199,993	(13,487)	(2,275,984)	2,733,860	(457,876)
Transfer to credit-impaired financial assets	(218,943)	(127,447)	346,390	(348,503)	(275,189)	623,692
Charge-off	-	-	(204,552)	-	-	(290,109)
Disposal	-	(478)	(31,910)	-	(2,781)	(166,347)
Net increase (decrease)	8,600,859	(619,771)	(22,247)	1,900,116	(813,091)	(307,304)
Ending balance	110,619,242	6,028,009	391,494	131,453,727	5,031,258	1,020,658

	For the year ended December 31, 2018						
	Credit card accounts			Sub-total			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Beginning balance	5,721,743	935,266	177,983	240,320,486	10,889,378	2,127,131	253,336,995
Transfer to 12-month expected credit losses	221,984	(221,841)	(143)	3,225,171	(3,211,782)	(13,389)	-
Transfer to lifetime expected credit losses	(287,623)	288,027	(404)	(5,750,113)	6,221,880	(471,767)	-
Transfer to credit-impaired financial assets	(104,459)	(95,758)	200,217	(671,905)	(498,394)	1,170,299	-
Charge-off	-	-	(242,879)	-	-	(737,540)	(737,540)
Disposal	-	-	-	-	(3,259)	(198,257)	(201,516)
Net increase (decrease)	1,310,199	77,078	74,215	11,811,174	(1,355,784)	(255,336)	10,200,054
Ending balance	6,861,844	982,772	208,989	248,934,813	12,042,039	1,621,141	262,597,993

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

	December 31, 2018	December 31, 2017
CMA accounts	185,999	135,000
Receivables	4,864,403	4,459,318
Accrued income	1,000,427	1,026,273
Telex and telephone subscription rights and refundable deposits	982,925	984,620
Other receivables	512,339	166,877
Loss allowance	(67,722)	(57,563)
Total	<u>7,478,371</u>	<u>6,714,525</u>

(9) Changes in the loss allowances on other financial assets are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Beginning balance (*1)	(2,955)	(1,832)	(54,211)	(58,998)
Transfer to 12-month expected credit losses	(150)	139	11	-
Transfer to lifetime expected credit losses	105	(416)	311	-
Transfer to credit-impaired financial assets	6,509	304	(6,813)	-
Net provision of loss allowance	(6,583)	(166)	(31,550)	(38,299)
Charge-off	-	-	28,200	28,200
Disposal	-	1	1,264	1,265
Others(*2)	(176)	(1)	287	110
Ending balance	<u>(3,250)</u>	<u>(1,971)</u>	<u>(62,501)</u>	<u>(67,722)</u>

(*1) The beginning balance was restated in accordance with K-IFRS 1109.

(*2) Others consist of foreign currencies translation and etc.

(10) Changes in the gross carrying amount of other financial assets are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Beginning balance	6,662,335	29,124	79,912	6,771,371
Transfer to 12-month expected credit losses	7,573	(7,556)	(17)	-
Transfer to lifetime expected credit losses	(11,418)	11,734	(316)	-
Transfer to credit-impaired financial assets	(7,580)	(1,110)	8,690	-
Disposal	-	-	(28,201)	(28,201)
Net increase and others	-	(5)	(1,640)	(1,645)
Others	794,983	(3,994)	13,579	804,568
Ending balance	<u>7,445,893</u>	<u>28,193</u>	<u>72,007</u>	<u>7,546,093</u>

11. 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, 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 OTC but not required significant judgment.
- Level 3— fair value measurements are those derived from valuation technique that include inputs for the assets or liabilities 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 inherent factors of 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, 2018			
	Level 1 (*1)	Level 2 (*1)	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss mandatorily measured at fair value				
Deposits	26,935	-	-	26,935
Debt securities	239,794	1,575,972	8,389	1,824,155
Equity securities	53,806	-	401,860	455,666
Capital contributions	-	-	422,481	422,481
Beneficiary certificates	2,130	128,988	854,299	985,417
Loans	-	205,000	180,450	385,450
Derivative assets	13,216	1,964,065	48,798	2,026,079
Sub-total	335,881	3,874,025	1,916,277	6,126,183
Financial assets at FVTOCI				
Debt securities	1,838,409	15,233,811	-	17,072,220
Equity securities	482,327	-	468,847	951,174
Securities loaned	-	40,029	-	40,029
Sub-total	2,320,736	15,273,840	468,847	18,063,423
Derivative assets (Designated for hedging)	-	35,503	-	35,503
Total	2,656,617	19,183,368	2,385,124	24,225,109

December 31, 2018				
	Level 1 (*1)	Level 2 (*1)	Level 3	Total
Financial liabilities:				
Financial liabilities at fair value through profit or loss mandatorily measured at fair value				
Deposits due to customers	27,058	-	-	27,058
Derivative liabilities	2,245	2,071,925	16,691	2,090,861
Sub-total	29,303	2,071,925	16,691	2,117,919
Financial liabilities at fair value through profit or loss designated as upon initial recognition				
Equity-linked securities	-	-	164,767	164,767
Derivative liabilities (Designated for hedging)	-	51,408	-	51,408
Total	29,303	2,123,333	181,458	2,334,094
December 31, 2017				
	Level 1 (*1)	Level 2 (*1)	Level 3 (*2)	Total
Financial assets:				
Financial assets held for trading				
Deposits	25,972	-	-	25,972
Debt securities	405,942	2,238,391	-	2,644,333
Equity securities	21,666	-	-	21,666
Beneficiary certificates	-	13,041	-	13,041
Derivative assets	1,021	3,093,272	21,482	3,115,775
Sub-total	454,601	5,344,704	21,482	5,820,787
Financial assets designated at FVTPL				
Debt securities	-	-	9,694	9,694
Equity securities	-	-	12,596	12,596
Sub-total	-	-	22,290	22,290
AFS financial assets				
Debt securities	2,710,172	10,348,815	-	13,058,987
Equity securities	399,214	-	1,011,864	1,411,078
Beneficiary certificates	-	68,722	643,906	712,628
Securities loaned	69,778	100,478	-	170,256
Sub-total	3,179,164	10,518,015	1,655,770	15,352,949
Derivative assets (Designated for hedging)	-	59,272	-	59,272
Total	3,633,765	15,921,991	1,699,542	21,255,298
Financial liabilities:				
Financial liabilities held for trading				
Deposits due to customers	25,964	-	-	25,964
Derivative liabilities	2,613	3,126,585	20,951	3,150,149
Sub-total	28,577	3,126,585	20,951	3,176,113
Financial liabilities designated at FVTPL				
Equity-linked securities	-	-	160,057	160,057
Debentures	-	91,739	-	91,739
Sub-total	-	91,739	160,057	251,796
Derivative liabilities (Designated for hedging)	-	67,754	-	67,754
Total	28,577	3,286,078	181,008	3,495,663

(*1) There were no transfers between Level 1 and Level 2 of financial assets and liabilities measured at fair value. The Group recognizes transfers among levels at the end of reporting period in which events have occurred or conditions have changed.

(*2) Certain unquoted AFS equity securities were measured at cost as of December 31, 2017, that amounted to 37,092 million Won. These unquoted equity instruments mostly represent minority investments in structured entity vehicles, such as asset securitization structures. They are measured at cost because (a) observable inputs of financial information to measure fair value were not available to obtain, (b) there was a significant variance in likely estimated cash flows or (c) the probabilities for various estimated cash flows could not be measured reliably. In addition, the Group has no intention to dispose these investments in the foreseeable future.

Financial assets and liabilities at fair value through profit or loss mandatorily measured at fair value, financial liabilities at fair value through profit or loss designated as upon initial recognition, financial assets at FVTOCI, and derivative assets (Designated for hedging) and liabilities (Designated for hedging) are recognized at fair value. Fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

Financial instruments are measured at fair value using a quoted market price in active markets. If there is no active market for a financial instrument, the Group determines the fair value using valuation methods. Valuation methods and input variables for each type of financial instruments are as follows:

	Valuation methods	Input variables
Loans	The fair value of Loans is measured by the Binomial tree given the values of underlying assets and volatility.	Values of underlying assets, Volatility
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, capital contributions and Beneficiary certificates	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, etc.
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, currency swap and currency forward 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.
Equity-linked securities	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, volatility, correlation coefficient, credit spread, and foreign exchange rate
Debentures	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
Loans	Binomial tree	Stock, Volatility of underlying asset	15.49%~36.96%	Fair value increases as volatility of underlying asset increases.
Derivative assets	Option valuation model and others	Correlation coefficient	0.9~0.98	Variation of fair value increases as correlation coefficient increases.
		Volatility of underlying asset	14.00%~34.28%	Variation of fair value increases as volatility increases.
Derivative liabilities	Option valuation model and others	Correlation coefficient	0.9~0.98	Variation of fair value increases as correlation coefficient increases.
		Volatility of underlying asset	14.00%~34.28%	Variation of fair value increases as volatility increases.
Equity-linked securities	Monte Carlo Simulation and others	Correlation coefficient	0.005~0.658	Equity-linked securities' variation of fair value increases if both volatility and correlation coefficient increase. However, when correlation coefficient decreases despite the increase in volatility, the variation of fair value of a compound financial instrument may decrease.
		Volatility of underlying asset	22.09%~31.19%	
Equity securities, capital contributions and Beneficiary certificates	External appraisal value and others	Terminal growth rate	0.00%	Fair value increases as terminal growth rate increases.
		Discount rate	3.67%~17.40%	Fair value increases as discount rate decreases.
		Volatility of real estate sale price	0.00%	Fair value increases as volatility of real estate sale price increases.

Fair value of financial assets and liabilities classified into Level 3 is measured by the Group using its own valuation methods 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 measured at fair value classified into Level 3 are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2018						December 31, 2018
	January 1, 2018	Net Income (loss) (*1)	Other comprehensive income	Purchases/ issuances	Disposals/ settlements	Transfer to or out of Level 3 (*2)	
Financial assets:							
Financial assets at fair value through profit or loss mandatorily measured at fair value							
Debt securities	9,694	(28)	-	3,000	(4,277)	-	8,389
Equity securities	280,171	56,271	-	67,953	(2,535)	-	401,860
Capital contributions	294,121	16,119	-	144,207	(31,966)	-	422,481
Beneficiary certificates	654,066	16,391	-	5,151,535	(4,971,003)	3,310	854,299
Loans	165,001	3,378	-	150,103	(138,032)	-	180,450
Derivative assets	19,346	75,696	-	4,722	(50,966)	-	48,798
Sub-total	1,422,399	167,827	-	5,521,520	(5,198,779)	3,310	1,916,277
Financial assets at FVTOCI							
Equity securities	451,287	-	19,688	432	(2,560)	-	468,847
Total	1,873,686	167,827	19,688	5,521,952	(5,201,339)	3,310	2,385,124
Financial liabilities:							
Financial liabilities at fair value through profit or loss mandatorily measured at fair value							
Derivative liabilities	20,951	46,409	-	255	(50,921)	(3)	16,691
Financial liabilities at fair value through profit or loss designated as upon initial recognition							
Equity-linked securities	160,057	(16,243)	-	183,039	(162,086)	-	164,767
Total	181,008	30,166	-	183,294	(213,007)	(3)	181,458

(*1) The losses that increase financial liabilities are presented as positive amounts, and the gains that decrease financial liabilities are presented as negative amounts. The gain amounting to 137,777 million Won for the years ended December 31, 2018, which is from financial assets and liabilities that the Group holds as at the end of the periods, has been recognized in net gain (loss) on financial assets at FVTPL and net gain (loss) on financial assets at FVTOCI 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.

	For the year ended December 31, 2017						December 31, 2017
	January 1, 2017	Net Income (loss) (*1)	Other comprehensive income	Purchases/ Issuances	Disposals/ Settlements	Transfer to or out of level 3 (*2)	
Financial assets:							
Financial assets held for trading							
Derivative assets	23,153	22,362	-	1,398	(25,431)	-	21,482
Financial assets designed at FVTPL							
Debt securities	4,348	346	-	5,000	-	-	9,694
Equity securities	12,652	(56)	-	-	-	-	12,596
Sub-total	17,000	290	-	5,000	-	-	22,290
AFS financial assets							
Equity securities	1,024,935	27,986	24,442	65,961	(131,460)	-	1,011,864
Beneficiary certificates	530,511	212	(4,321)	226,975	(109,471)	-	643,906
Sub-total	1,555,446	28,198	20,121	292,936	(240,931)	-	1,655,770
Derivative assets	99	329	-	-	(428)	-	-
Total	1,595,698	51,179	20,121	299,334	(266,790)	-	1,699,542
Financial liabilities:							
Financial liabilities held for trading							
Derivative liabilities	33,524	24,866	-	500	(37,939)	-	20,951
Financial liabilities designated at FVTPL							
Equity-linked securities	673,709	112,015	-	-	(625,667)	-	160,057
Total	707,233	136,881	-	500	(663,606)	-	181,008

(*1) The losses that increase financial liabilities are presented as positive amounts, and the gains that decrease financial liabilities are presented as negative amounts. The loss amounting to 34,621 million Won for the year ended December 31, 2017, which is from financial assets and liabilities that the Group holds, has been recognized in net gain (loss) on financial instruments at FVTPL and net gain (loss) on AFS financial assets in the 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.

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

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

The equity investments classified as Level 3 equity securities whose costs(2,566,582 million Won and 1,880,550 million Won as of December 31, 2018 and 2017)are considered to provide the best estimate of fair value are excluded from sensitivity analysis(1,641,875 million Won and 1,146,751 million Won as of December 31, 2018 and 2017).

The following table presents the sensitivity analysis to disclose the effect of reasonably possible volatility on the fair value of a Level 3 financial instruments (Unit: Korean Won in millions):

	December 31, 2018			
	Net income (loss)		Other comprehensive income (loss)	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets:				
Financial assets at FVTPL				
Derivative assets (*1)	4,578	(4,352)	-	-
Loans	146	(127)	-	-
Debt securities	68	(35)	-	-
Equity securities (*2) (*3)	12,700	(9,165)	-	-
Beneficiary certificates (*3)	1,582	(1,582)	-	-
Financial assets at FVTOCI				
Equity securities (*2) (*3)	-	-	23,798	(10,078)
Total	19,074	(15,261)	23,798	(10,078)
Financial liabilities:				
Financial liabilities at fair value through profit or loss mandatorily measured at fair value				
Derivative liabilities (*1)	2,433	(2,751)	-	-
Financial liabilities at fair value through profit or loss designated as upon initial recognition				
Equity-linked securities (*1)	1,561	(1,669)	-	-
Total	3,994	(4,420)	-	-
December 31, 2017				
	Net income (loss)		Other comprehensive income (loss)	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets:				
Financial assets held for trading				
Derivatives assets (*1)	1,234	(526)	-	-
Financial assets designated at FVTPL				
Debt securities (*4)	265	(309)	-	-
Equity securities (*4)	670	(624)	-	-
AFS Financial assets				
Equity securities (*2)(*3)	-	-	28,583	(15,246)
Beneficiary certificates (*3)	-	-	1,861	(1,857)
Total	2,169	(1,459)	30,444	(17,103)
Financial liabilities:				
Financial liabilities held for trading				
Derivative liabilities (*1)	5	(513)	-	-
Financial liabilities designated at FVTPL				
Equity-linked securities (*1)	8	(7)	-	-
Total	13	(520)	-	-

- (*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%.
- (*2) Fair value changes of equity securities are calculated by increasing or decreasing growth rate (0~1%) and discount rate or liquidation value (-1~1%). The growth rate, discount rate, and liquidation value are major unobservable variables.
- (*3) 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%.
- (*4) Changes of fair value are measured by increasing or decreasing the discount rate by 10%, which is major unobservable variable, respectively.

- (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):

	December 31, 2018				Book value
	Fair value			Total	
	Level 1	Level 2	Level 3		
Financial assets:					
Securities at amortized cost	3,618,213	19,417,130	-	23,035,343	22,932,559
Loans and other financial assets at amortized cost	-	-	282,333,497	282,333,497	282,448,315
Financial liabilities:					
Deposits due to customers	-	248,763,952	-	248,763,952	248,690,939
Borrowings	-	16,203,070	-	16,203,070	16,202,986
Debentures	-	28,755,251	-	28,755,251	28,725,862
Other financial liabilities	-	21,444,937	-	21,444,937	21,426,064
	December 31, 2017				Book value
	Fair value			Total	
	Level 1	Level 2	Level 3		
Financial assets:					
HTM financial assets	1,206,292	15,509,387	-	16,715,679	16,749,296
Loans and receivables	-	-	265,570,649	265,570,649	267,106,204
Financial liabilities:					
Deposits due to customers	-	234,682,775	-	234,682,775	234,695,084
Borrowings	-	14,754,506	-	14,754,506	14,784,706
Debentures	-	27,889,781	-	27,889,781	27,869,651
Other financial liabilities	-	13,890,789	-	13,890,789	13,892,461

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 valuation methods. Valuation methods and input variables for financial assets and liabilities that are measured at amortized costs are given as follows:

	Valuation methods	Input variables
Securities at amortized cost(HTM financial assets in previous year)	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 other financial assets at amortized cost (Loans and receivables in previous year)	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
Deposits due to customers, borrowings, debentures and other financial liabilities	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

(6) Financial instruments by category

Carrying amounts of financial assets and liabilities by each category are as follows (Unit: Korean Won in millions):

Financial assets	December 31, 2018				
	Financial asset at FVTPL	Financial assets at FVTOCI	Financial assets at amortized cost	Derivatives assets (Designated for hedging)	Total
Deposits	26,935	-	14,150,027	-	14,176,962
Securities	3,687,719	18,063,423	22,932,559	-	44,683,701
Loans	385,450	-	260,819,917	-	261,205,367
Derivative assets	2,026,079	-	-	35,503	2,061,582
Other financial assets	-	-	7,478,371	-	7,478,371
Total	6,126,183	18,063,423	305,380,874	35,503	329,605,983

Financial liabilities	December 31, 2018			
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Derivatives liabilities (Designated for hedging)	Total
Deposits due to customers	27,058	248,690,939	-	248,717,997
Borrowings	164,767	16,202,986	-	16,367,753
Debentures	-	28,725,862	-	28,725,862
Derivative liabilities	2,090,861	-	51,408	2,142,269
Other financial liabilities(*)	-	21,473,881	-	21,473,881
Total	2,282,686	315,093,668	51,408	317,427,762

(*) Other financial liabilities include 47,817 million Won of financial guarantee liabilities measured at amortized cost included in provisions.

Financial assets	December 31, 2017					
	Financial assets at FVTPL	AFS financial assets	HTM financial assets	Loans and receivables	Derivatives assets (Designated for hedging)	Total
Deposits	25,972	-	-	8,868,378	-	8,894,350
Securities	2,701,330	15,352,950	16,749,296	-	-	34,803,576
Loans	-	-	-	251,523,301	-	251,523,301
Derivative assets	3,115,775	-	-	-	59,272	3,175,047
Other financial assets	-	-	-	6,714,525	-	6,714,525
Total	5,843,077	15,352,950	16,749,296	267,106,204	59,272	305,110,799

Financial liabilities	December 31, 2017			
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Derivatives liabilities (Designated for hedging)	Total
Deposits due to customers	25,964	234,695,084	-	234,721,048
Borrowings	160,057	14,784,706	-	14,944,763
Debentures	91,739	27,869,651	-	27,961,390
Derivative liabilities	3,150,149	-	67,754	3,217,903
Other financial liabilities(*)	-	13,964,158	-	13,964,158
Total	3,427,909	291,313,599	67,754	294,809,262

(*) Other financial liabilities include 71,697 million Won of financial guarantee liabilities measured at amortized cost included in provisions.

(7) Income or expense from financial instruments by category

Income or expense from financial assets and liabilities by each category during the years ended December 31, 2018 and 2017 are as follows (Unit: Korean Won in millions):

	December 31, 2018				
	Interest Income(expense)	Fees and Commissions Income(expense)	Provision(reversal) of credit loss	Others	Total
Financial assets at FVTPL	54,243	86,845	-	264,850	405,938
Financial assets at FVTOCI	280,371	66	(2,027)	24,707	303,117
Securities at amortized cost	376,788	-	(1,922)	431	375,297
Loans and other financial assets at amortized cost	8,973,097	317,316	(415,084)	79,101	8,954,430
Financial liabilities at FVTPL	(3,164)	-	-	17,485	14,321
Financial liabilities at amortized cost	(4,030,384)	27,742	-	25,498	(3,977,144)
Derivatives assets(liabilities)(Designated for hedging)	-	-	-	(672)	(672)
Off-balance provisions	-	-	89,459	-	89,459
Total	5,650,951	431,969	(329,574)	411,400	6,164,746
	December 31, 2017				
	Interest Income(expense)	Fees and Commissions Income(expense)	Provision(reversal) of credit loss	Others	Total
Financial assets at FVTPL	48,615	-	-	6,859	55,474
AFS financial assets	239,030	80,041	(31,300)	362,712	650,483
HTM financial assets	307,965	-	-	-	307,965
Loans and receivables	7,948,069	384,025	(862,273)	196,269	7,666,090
Financial liabilities at FVTPL	-	-	-	(111,240)	(111,240)
Financial liabilities at amortized cost	(3,323,029)	-	-	39,373	(3,283,656)
Derivatives assets(liabilities)(Designated for hedging)	-	-	-	(109,447)	(109,447)
Off-balance provisions	-	-	77,140	-	77,140
Total	5,220,650	464,066	(816,433)	384,526	5,252,809

12. DERECOGNITION AND OFFSET OF FINANCIAL INSTRUMENTS

(1) Derecognition of financial instruments

Transferred financial assets that do not meet the condition of derecognition in their entirety.

a) Bonds sold under repurchase agreements

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 (Unit: Korean Won in millions):

		December 31, 2018	December 31, 2017
Assets transferred	Financial assets at FVTOCI	33,588	-
	AFS financial assets	-	9,998
	Securities at amortized cost	5,552	-
	HTM financial assets	-	5,436
	Total	<u>39,140</u>	<u>15,434</u>
Related liabilities	Bonds sold under repurchase agreements	<u>42,907</u>	<u>3,173</u>

b) Securities loaned

When the Group loans its securities to outside parties, the legal ownerships of the securities are transferred; however, they should be returned at the end of lending period. Therefore, the Group does not derecognize them from the 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 the securities loaned are as follows (Unit: Korean Won in millions):

		December 31, 2018	December 31, 2017	Loaned to
Financial assets at FVTOCI	Korean financial institution's debt securities and others	40,029	-	Korea Securities Finance Corporation
AFS financial assets	Korean treasury, government bonds and others	-	170,256	Korea Securities Finance Corporation and others
	Total	<u>40,029</u>	<u>170,256</u>	

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

(2) The offset of financial assets and liabilities

The Group possesses both the uncollected domestic exchange receivables and the 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 offset with part of unpaid domestic exchange payable or uncollected domestic exchange receivables and has been disclosed in loans at amortized cost and other financial assets (loans and receivables in previous year) or other financial liabilities of the Group's statements of financial position.

The Group possesses the derivative assets, derivative liabilities, receivable spot exchange and payable spot exchange that do not satisfy the offsetting criteria of K-IFRS 1032, but provide the Group under the circumstances of the trading party's defaults, insolvency or bankruptcy, the right of 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 net amount of derivative assets and derivative liabilities, receivable spot exchange and payable spot exchange can be offset.

The Group has entered into a resale and repurchase agreement and accounted it as a collateralized borrowing. The Group has also entered into a resale and purchase agreement and accounted it as a secured loans. The resale and repurchase agreements 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 borrowing in borrowings and the secured loans in loans and receivables. The Group under the repurchase agreements has offsetting right only upon the counterparty's default, insolvency or bankruptcy; thus, the repurchase agreements are applied by the TBMA/ISMA Global Master Repurchase Agreement, which does not satisfy the offsetting criteria of K-IFRS 1032. The Group disclosed bonds purchased under resale agreements as loan at amortized cost and other financial assets (loans and receivables in previous year) and bonds sold under repurchase agreements as borrowings.

As of December 31, 2018 and 2017, the financial instruments to be off set and may be covered by master netting agreements and similar agreements are as follows (Unit: Korean Won in millions):

		December 31, 2018					
		Gross amounts of recognized financial assets	Gross amounts of recognized financial assets setoff	Net amounts of financial assets presented	Related amounts not setoff in the consolidated statement of financial position		Net amounts
					Netting agreements and others	Cash collateral received	
Financial assets:							
	Derivative assets (*1)	1,908,542	-	1,908,542			
	Receivable spot exchange (*2)	4,200,532	-	4,200,532	5,527,117	66,857	515,100
	Bonds purchased under resale agreements (*2)	11,701,951	-	11,701,951	11,701,951	-	-
	Domestic exchange settlement credits (*2)(*6)	30,090,598	29,699,412	391,186	-	-	391,186
	Total	47,901,623	29,699,412	18,202,211	17,229,068	66,857	906,286
		December 31, 2018					
		Gross amounts of recognized financial liabilities	Gross amounts of recognized financial liabilities setoff	Net amounts of financial liabilities presented	Related amounts not setoff in the consolidated statement of financial position		Net amounts
					Netting agreements and others	Cash collateral pledged	
Financial liabilities:							
	Derivative liabilities (*1)	1,862,681	-	1,862,681			
	Equity-linked securities index in short position (*3)	164,767	-	164,767	5,540,147	115,615	577,713
	Payable spot exchange (*4)	4,206,027	-	4,206,027			
	Bonds sold under repurchase agreements (*5)	42,907	-	42,907	42,907	-	-
	Domestic exchange settlement debits (*4)(*6)	36,832,774	29,699,412	7,133,362	6,231,538	-	901,824
	Total	43,109,156	29,699,412	13,409,744	11,814,592	115,615	1,479,537

(*1) The items include derivatives held for trading, derivatives designated for hedging.

(*2) The items are included in loan at amortized cost and other financial assets.

(*3) The items are equity linked securities related to derivatives and are included in financial liabilities at FVTPL.

(*4) The items are included in other financial liabilities.

(*5) The items are included in borrowings.

(*6) Certain financial assets and liabilities are presented as net amounts.

	December 31, 2017					
	Gross amounts of recognized financial assets	Gross amounts of recognized financial assets setoff	Net amounts of financial assets presented	Related amounts not setoff in the consolidated statement of financial position		Net amounts
				Netting agreements and others	Cash collateral received	
Financial assets:						
Derivative assets (*1)	2,992,476	1,710	2,990,766	5,787,448	174,415	796,629
Receivable spot exchange (*2)	3,767,726	-	3,767,726			
Bonds purchased under resale agreements (*2)	16,859,064	-	16,859,064	16,859,064	-	-
Domestic exchanges settlement credits (*2)(*6)	39,050,227	38,985,354	64,873	-	-	64,873
Total	<u>62,669,493</u>	<u>38,987,064</u>	<u>23,682,429</u>	<u>22,646,512</u>	<u>174,415</u>	<u>861,502</u>

	December 31, 2017					
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial liabilities setoff	Net amounts of financial liabilities presented	Related amounts not setoff in the consolidated statement of financial position		Net amounts
				Netting agreements and others	Cash collateral pledged	
Financial liabilities:						
Derivative liabilities (*1)	3,000,160	1,710	2,998,450			
Equity-linked securities index in short position(*3)	160,057	-	160,057	5,866,682	157,750	857,961
Payable spot exchange (*4)	3,723,886	-	3,723,886			
Bonds sold under repurchase agreements (*5)	3,173	-	3,173	3,173	-	-
Domestic exchanges settlement debits (*4)(*6)	40,284,515	38,985,354	1,299,161	1,293,931	-	5,230
Total	<u>47,171,791</u>	<u>38,987,064</u>	<u>8,184,727</u>	<u>7,163,786</u>	<u>157,750</u>	<u>863,191</u>

(*1) The items include derivatives held for trading, derivatives designated for hedging.

(*2) The items are included in loans and receivables.

(*3) The items are equity linked securities related to derivatives and are included in financial liabilities at fair value through profit or loss mandatorily measured at fair value.

(*4) The items are included in other financial liabilities.

(*5) The items are included in borrowings.

(*6) Certain financial assets and liabilities are presented at 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:

Joint ventures and Associates	Main business	Percentage of ownership (%)		Financial statements as of
		December 31, 2018	December 31, 2017	
Woori Bank:				
Kumho Tire Co., Inc. (*1)	Manufacturing	-	14.2	-
Woori Service Networks Co., Ltd. (*4)	Freight & staffing services	4.9	4.9	Nov.30,2018 (*3)
Korea Credit Bureau Co., Ltd. (*5)	Credit information	9.9	9.9	Dec.31,2018
Korea Finance Security Co., Ltd. (*4)	Security service	15.0	15.0	Nov.30,2018 (*3)
Chin Hung International Inc. (*2)	Construction	25.3	25.3	Nov.30,2018 (*3)
Poonglim Industrial Co., Ltd. (*9)	Construction	-	29.4	-
STX Engine Co., Ltd. (*10)	Manufacturing	-	29.2	-
STX Corporation (*10)	Wholesale of non-specialized goods	-	19.7	-
Saman Corporation (*5)	General construction	-	-	-
	Technology service	9.2	9.2	Sep.30,2018 (*3)
Dongwoo C & C Co., Ltd. (*6)	Construction	24.5	23.2	-
SJCO Co., Ltd. (*6)	Aggregate transportation and wholesale	26.5	26.5	-
G2 Collection Co., Ltd. (*6)	Wholesale and retail sales	28.9	28.9	-
The Base Enterprise Co., Ltd. (*6)	Manufacturing	48.4	48.4	-
Kyesan Engineering Co., Ltd. (*6)	Construction	23.3	23.2	-
Good Software Lab Co., Ltd. (*6)	Service	29.4	28.9	-
Wongwang Co., Ltd. (*6)	Wholesale and real estate	29.0	29.0	-
Sejin Construction Co., Ltd. (*6)	Construction	29.6	29.6	-
QTS Shipping Co., Ltd. (*6)	Complex transportation brokerage	49.4	49.4	-
DAEA SNC Co., Ltd. (*6)	Wholesale and retail sales	24.0	24.0	-
ARES-TECH Co., Ltd. (*6)	Electronic component manufacturing	23.4	23.4	-
Force TEC Co., Ltd. (*6)(*7)	Manufacturing	25.8	-	-
Sinseong Trading Co., Ltd. (*6)(*7)	Manufacturing	27.2	-	-
Reading Doctors Co., Ltd. (*6)	Other services	35.4	35.4	-
PREXCO Co., Ltd. (*6)	Manufacturing	28.1	28.1	-
Hyunwoo International Co., Ltd. (*11)	Manufacturing	-	25.9	-
Jiwon Plating Co., Ltd. (*6)	Plating	20.8	20.5	-
Cultizm Korea LTD Co., Ltd. (*6)	Wholesale and retail sales	31.3	31.3	-
Gil Co.,Ltd. (*6)	Manufacturing	26.1	26.1	-
NK Eng Co., Ltd. (*6)	Manufacturing	23.1	23.1	-
Youngdong Sea Food Co., Ltd. (*6)(*7)	Processed sea food manufacturing	24.0	-	-
Woori Growth Partnerships New Technology Private Equity Fund	Other financial services	23.1	23.1	Dec.31,2018
2016KIF-IMM Woori Bank Technology Venture Fund	Other financial services	20.0	20.0	Dec.31,2018
K BANK Co., Ltd. (*5)	Finance	14.1	13.0	Nov.31,2018(*3)
Smart Private Equity Fund No.2	Other financial services	20.0	20.0	Dec.31,2018
Woori Bank-Company K Korea Movie Asset Fund	Other financial services	25.0	25.0	Dec.31,2018
Well to Sea No. 3 Private Equity Fund (*12)	Finance	50.0	50.0	Sep.30,2018(*3)
Partner One Value Up Ist Private Equity Fund (*8)	Other financial services	23.3	-	Dec.31,2018

Joint ventures and Associates	Main business	Percentage of ownership (%)		Financial statements as of
		December 31, 2018	December 31, 2017	
IBK KIP Seongjang Dideemdol 1st Private Investment Limited Partnership (*8)	Other financial services	20.0	-	Dec.31,2018
Crevisse Raim Impact 1st Startup Venture Specialist Private Equity Fund (*8)	Other financial services	25.0	-	Dec.31,2018
Woori Investment Bank Co., Ltd.: Nomura-Rifa Private Real Estate Investment Trust No.17 (*5)	Other financial services	19.4	25.0	Dec.31,2018
Woori Private Equity Asset Management Co., Ltd.: Uri Hanhwa Eureka Private Equity Fund (*5)(*8)	Other financial services	0.8	-	Dec.31,2018

- (*1) The Group did not have significant influence over the entity due to the termination of the joint management procedures of the creditors' financial institution, and thus the entity was excluded from the investment in associates for the years ended December 31, 2018.
- (*2) The investments in associates that have quoted market prices are Chin Hung International Inc. (current period: KRW 2,065, previous year: KRW 1,915).
- (*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 associates are with the Group as of December 31, 2018 and 2017.
- (*5) The Group can participate in decision-making body and exercise significant influence over associates through business partnerships.
- (*6) The carrying values of investments in associates are nil as of December 31, 2018 and 2017.
- (*7) Even though the Group's ownership ratio of the entity was more than 20%, the Group did not have significant influence over the entity because the entity was going through workout process under receivership and thus was excluded from the investment in associates. However, as the workout process was completed for the year ended December 31, 2018, it has been included in the investment in associates.
- (*8) Due to capital contribution by the Group for the year ended December 31, 2018, the entities has been included in the investment in associates.
- (*9) The Group lost significant influence over the entity due to the stock consolidation and the capital increase of the associate during the year ended December 31, 2018, and thus the entity was excluded from the list of associates.
- (*10) The entity was sold after it was transferred to assets held for distribution (sale) and was excluded from the investment in associates.
- (*11) The entity was excluded from the associate as the group sold its entire stake during the year ended December 31, 2018.
- (*12) The Group has entered into a contract whereas the Group (or a third party designated by the Group) obtains a preemptive right to acquire the base assets (Aju Capital Co. Ltd.) of Well to Sea No. 3 Private Equity Fund, an affiliate of the Group, when the Fund disposes them.

(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, 2018									
	Acquisiti- on cost	January 1, 2018	Share of profits (losses)	Acquisi- tion	Disposal and others (*)	Dividends	Change in capital	Impair- ment	Others	December 31, 2018
Kumho Tire Co., Inc.	175,652	98,933	(10,451)	-	(83,286)	-	(5,196)	-	-	-
Woori Service Networks Co., Ltd.	108	158	1	-	-	(2)	-	-	-	157
Korea Credit Bureau Co., Ltd.	3,313	5,816	1,087	-	-	(113)	-	-	-	6,790
Korea Finance Security Co., Ltd.	3,267	3,519	(10)	-	-	(54)	1	-	-	3,456
Chin Hung International Inc.	130,779	45,101	1,206	-	-	-	(1,725)	-	159	44,741
Poonglim Industrial Co., Ltd.	13,916	-	-	-	-	-	-	-	-	-
STX Corporation	50,760	6,947	(816)	-	(5,865)	-	(266)	-	-	-
Saman Corporation	8,521	1,254	(98)	-	-	-	35	(177)	-	1,014
Woori Growth Partnerships New Technology Private Equity Fund	25,847	27,611	950	360	(3,346)	(484)	-	-	-	25,091
2016KIF-IMM Woori Bank Technology Venture Fund	15,000	6,840	-	8,160	-	-	300	-	-	15,300
K BANK Co., Ltd.	67,343	31,735	(10,705)	21,951	-	-	144	-	584	43,709
Smart Private Equity Fund No.2	3,000	2,932	(42)	-	-	-	-	-	-	2,890
Woori Bank-Company K Korea Movie Asset Fund	3,000	2,957	(257)	-	-	-	-	-	-	2,700
Well to Sea No.3 Private Equity Fund	101,992	182,309	22,546	-	(508)	(517)	(6,437)	-	-	197,393
Partner One Value Up Ist Private Equity Fund	10,000	-	(52)	10,000	-	-	-	-	-	9,948
IBK KIP Seongjang Dideemdol Ist Private Investment Limited Partnership	4,426	-	-	4,426	-	-	-	-	-	4,426
Crevisse Raim Impact Ist Startup Venture Specialist Private Equity Fund	3,025	-	-	3,025	-	-	-	-	-	3,025
Nomura-Rifa Private Real Estate Investment Trust No.17	1,000	939	(152)	-	-	-	-	-	-	787
Uri Hanhwa Eureka Private Equity Fund	350	-	(11)	350	-	-	-	-	(339)	-
	<u>621,299</u>	<u>417,051</u>	<u>3,196</u>	<u>48,272</u>	<u>(93,005)</u>	<u>(1,170)</u>	<u>(13,144)</u>	<u>(177)</u>	<u>404</u>	<u>361,427</u>

(*) Investments in joint ventures and associates decreased by 83,286 million Won through transfers to financial assets at FVTOCI (K-IFRS 1109) which occurred during the year ended December 31, 2018.

For the year ended December 31, 2017										
	Acquisiti- on cost	January 1, 2017	Share of profits (losses)	Acquisi- tion (*)	Disposal and others	Dividends	Change in capital	Impair- ment	Others (*)	December 31, 2017
Woori Blackstone Korea Opportunity No.1 Private Equity Fund	-	15,289	(4,617)	-	(7,369)	(3,303)	-	-	-	-
Kumho Tire Co., Inc.	175,652	200,332	(102)	-	-	-	1,545	(102,842)	-	98,933
Woori Service Networks Co., Ltd.	108	145	21	-	-	(8)	-	-	-	158
Korea Credit Bureau Co., Ltd.	3,313	5,592	371	-	-	(147)	-	-	-	5,816
Korea Finance Security Co., Ltd.	3,266	3,376	197	-	-	(54)	-	-	-	3,519
Chin Hung International Inc.	89,725	43,032	(14,375)	41,053	-	-	1,535	-	(26,144)	45,101
Poonglim Industrial Co., Ltd.	13,916	-	(6,733)	-	-	-	-	-	6,733	-
STX Engine Co., Ltd.	92,038	43,036	(1,010)	-	(46,217)	-	4,191	-	-	-
Samho Co., Ltd.	7,492	19,729	2,021	-	(16,354)	-	(73)	(5,323)	-	-
STX Corporation	42,215	-	(29,788)	8,546	-	-	417	-	27,772	6,947
Saman Corporation	8,521	8,699	(733)	-	-	-	26	(6,738)	-	1,254
Woori Growth Partnerships New Technology Private Equity Fund	13,602	13,118	(582)	15,729	(498)	-	(156)	-	-	27,611
2016KIF-IMM Woori Bank Technology Venture Fund	1,800	1,800	-	5,040	-	-	-	-	-	6,840
K BANK Co., Ltd.	32,500	30,442	(11,381)	12,892	-	-	(245)	-	27	31,735
Smart Private Equity Fund No.2	3,000	-	(68)	3,000	-	-	-	-	-	2,932
Woori Bank-Company K Korea Movie Asset Fund	1,500	-	(43)	3,000	-	-	-	-	-	2,957
Well to Sea No.3 Private Equity Fund	102,500	-	80,894	102,500	(508)	-	(577)	-	-	182,309
Woori Renaissance Holdings	-	54,422	(622)	-	-	(57,109)	-	-	3,309	-
Nomura-Rifa Private Real Estate Investment Trust No.17	1,000	-	(61)	1,000	-	-	-	-	-	939
	<u>592,148</u>	<u>439,012</u>	<u>13,389</u>	<u>192,760</u>	<u>(70,946)</u>	<u>(60,621)</u>	<u>6,663</u>	<u>(114,903)</u>	<u>11,697</u>	<u>417,051</u>

(*) Changes in investments in joint ventures and associates due to debt-equity swap is 51,227 million Won.

- (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, 2018			
	Assets	Liabilities	Operating revenue	Net income (loss)
Woori Service Networks Co., Ltd.	5,066	1,886	15,803	819
Korea Credit Bureau Co., Ltd.	88,797	22,788	78,018	9,901
Korea Finance Security Co., Ltd.	35,155	12,114	60,706	17
Chin Hung International Inc.	412,205	332,268	606,192	6,402
Saman Corporation	97,720	69,915	75,825	(869)
Woori Growth Partnerships New Technology Private Equity Fund	109,167	440	5,943	4,117
2016KIF-IMM Woori Bank Technology Venture Fund	73,231	12	16	(1,510)
K BANK Co., Ltd.	2,024,856	1,807,502	60,039	(69,256)
Smart Private Equity Fund No.2	14,502	51	1	(209)
Woori Bank-Company K Korea Movie Asset Fund	10,805	5	1,663	(299)
Well to Sea No.3 Private Equity Fund	5,968,591	5,395,307	429,742	39,711
Partner One Value Up 1st Private Equity Fund	42,776	-	326	(224)
IBK KIP Seongjang Dideemdol 1st Private Investment Limited Partnership	21,200	757	390	(1,268)
Crevisse Raim Impact 1st Startup Venture Specialist Private Equity Fund	12,014	105	3	(191)
Nomura-Rifa Private Real Estate Investment Trust No.17	20,197	16,178	10	(228)
Uri Hanhwa Eureka Private Equity Fund	42,332	181	1	(1,349)

	December 31, 2017			
	Assets	Liabilities	Operating revenue	Net income (loss)
Kumho Tire Co., Inc.	5,105,107	3,928,327	2,136,569	(61,748)
Woori Service Networks Co., Ltd.	4,982	1,780	14,887	1,003
Korea Credit Bureau Co., Ltd.	75,504	19,323	68,750	3,580
Korea Finance Security Co., Ltd.	33,915	10,461	55,610	1,071
Chin Hung International Inc.	341,284	259,454	513,285	28,698
Poonglim Industrial Co., Ltd.	241,063	309,925	107,360	(29,812)
STX Corporation	595,348	543,458	1,371,272	342,869
Saman Corporation	98,435	69,929	76,135	(6,096)
Woori Growth Partnerships New Technology Private Equity Fund	120,133	485	1,024	(3,199)
2016KIF-IMM Woori Bank Technology Venture Fund	32,815	380	6	(1,515)
K BANK Co., Ltd.	1,244,270	1,001,121	19,231	(74,403)
Smart Private Equity Fund No.2	14,711	51	1	(340)
Woori Bank-Company K Korea Movie Asset Fund	11,830	2	16	(172)
Well to Sea No.3 Private Equity Fund	5,068,424	4,534,957	131,488	162,743
Nomura-Rifa Private Real Estate Investment Trust No.17	20,265	16,507	62	(242)

- (4) The entities that the Group has not applied equity method of accounting although the Group's ownership interest is more than 20% as of December 31, 2018 and 2017, are as follows:

Associate (*)	December 31, 2018	
	Number of shares owned	Ownership (%)
Orient Shipyard Co., Ltd.	464,812	21.4
Saenuel Co., Ltd.	3,531	37.4
E Mirae Tech Co., Ltd.	7,696	41.0
Jehin Trading Co., Ltd.	81,610	27.3
The Season Company Co., Ltd.	18,187	30.1
Yuil PESC Co., Ltd.	8,642	24.0
CL Tech Co., Ltd.	13,759	38.6

Associate (*)	December 31, 2017	
	Number of shares owned	Ownership (%)
Orient Shipyard Co., Ltd.	465,050	21.4
Saenuel Co., Ltd.	3,531	37.4
E Mirae Tech Co., Ltd.	7,696	41.0
Jehin Trading Co., Ltd.	81,610	27.3
The Season Company Co., Ltd.	18,187	30.1
Yuil PESC Co., Ltd.	8,642	24.0
Youngdong Sea Food Co., Ltd.	12,106	24.0
Sinseong Trading Co., Ltd.	2,584	27.2
CL Tech Co., Ltd.	13,759	38.6
Force TEC Co., Ltd.	4,780,907	25.8
Protronics Co., Ltd.	95,921	48.1
Instern Co., Ltd.	14,296	20.1

(*) Even though the Group's ownership interest of the entity is more than 20%, the Group does not have significant influence over the entity since it is going through work-out process under receivership, thus it is excluded from the investment in associates.

- (5) As of December 31, 2018 and 2017, 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 follows (Unit: Korean Won in millions except for ownership):

	December 31, 2018						
	Total net asset	Ownership (%)	Ownership portion of net assets	Basis difference	Impairment	Intercompany transaction	Book value
Woori Service Networks Co., Ltd.	3,180	4.9	157	-	-	-	157
Korea Credit Bureau Co., Ltd.	66,009	9.9	6,544	246	-	-	6,790
Korea Finance Security Co., Ltd.	23,041	15.0	3,456	-	-	-	3,456
Chin Hung International Inc. (*)	79,793	25.3	20,192	24,565	-	(16)	44,741
Saman Corporation	27,805	9.2	2,556	5,373	(6,915)	-	1,014
Woori Growth Partnerships New Technology Private Equity Fund	108,727	23.1	25,091	-	-	-	25,091
2016KIF-IMM Woori Bank Technology Venture Fund	73,219	20.0	14,644	-	-	656	15,300
K BANK Co., Ltd.(*)	290,597	14.1	40,984	2,725	-	-	43,709
Smart Private Equity Fund No.2	14,451	20.0	2,890	-	-	-	2,890
Woori Bank-Company K Korea Movie Asset Fund	10,800	25.0	2,700	-	-	-	2,700
Well to Sea No.3 Private Equity Fund (*)	396,248	50.0	198,027	-	-	(634)	197,393
Partner One Value Up Ist Private Equity Fund	42,776	23.3	9,948	-	-	-	9,948
IBK KIP Seongjang Dideemdol Ist Private Investment Limited Partnership	20,443	20.0	4,089	-	-	337	4,426
Crevisse Raim Impact Ist Startup Venture Specialist Private Equity Fund	11,909	25.0	2,977	-	-	48	3,025
Nomura-Rifa Private Real Estate Investment Trust No.17	4,019	19.4	780	-	-	7	787
Uri Hanhwa Eureka Private Equity Fund	42,151	0.8	339	-	-	(339)	-

	December 31, 2017						
	Total net asset	Ownership (%)	Ownership portion of net assets	Basis difference	Impairment	Intercompany transaction	Book value
Kumho Tire Co., Inc. (*)	1,065,421	14.2	150,767	48,459	(102,843)	2,549	98,932
Woori Service Networks Co., Ltd.	3,202	4.9	158	-	-	-	158
Korea Credit Bureau Co., Ltd.	56,181	9.9	5,568	248	-	-	5,816
Korea Finance Security Co., Ltd.	23,454	15.0	3,519	-	-	-	3,519
Chin Hung International Inc. (*)	81,686	25.3	20,671	24,565	-	(136)	45,100
Poonglim Industrial Co., Ltd. (*)	(168,154)	29.4	(49,446)	54,542	(20,504)	15,408	-
STX Corporation	51,890	19.7	10,232	24,614	(27,904)	5	6,947
Saman Corporation	28,506	9.2	2,619	5,373	(6,738)	-	1,254
Woori Growth Partnerships New Technology Private Equity Fund	119,648	23.1	27,611	-	-	-	27,611
2016KIF-IMM Woori Bank Technology Venture Fund	32,435	20.0	6,487	-	-	353	6,840
K BANK Co., Ltd.	243,149	13.0	31,535	-	-	200	31,735
Smart Private Equity Fund No.2	14,660	20.0	2,932	-	-	-	2,932
Woori Bank-Company K Korea Movie Asset Fund	11,828	25.0	2,957	-	-	-	2,957
Well to Sea No.3 Private Equity Fund (*)	364,909	50.0	182,366	-	-	(57)	182,309
Nomura-Rifa Private Real Estate Investment Trust No.17	3,758	25.0	939	-	-	-	939

(*) The net asset amount is after reflecting debt-equity swap and others.

14. INVESTMENT PROPERTIES

- (1) Details of investment properties are as follows (Unit: Korean Won in millions):

	December 31, 2018	December 31, 2017
Acquisition cost	416,649	404,741
Accumulated depreciation	(38,580)	(33,440)
Net carrying value	<u>378,069</u>	<u>371,301</u>

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

	For the years ended December 31	
	2018	2017
Beginning balance	371,301	358,497
Acquisition	15,195	9,872
Disposal	(3,045)	(458)
Depreciation	(4,045)	(3,902)
Transfers from(to) premises and equipment	7,623	2,472
Classified to assets held for distribution (sale)	(10,056)	(371)
Foreign currencies translation adjustments	(5)	(324)
Others	1,101	5,515
Ending balance	<u>378,069</u>	<u>371,301</u>

- (3) Fair value of investment properties is amounting to 438,407 million Won and 396,587 million Won as of December 31, 2018 and 2017, respectively. The fair value of investment properties has been assessed on the basis of recent similar real estate market price and officially assessed land price in the area of the investment properties, is classified as level 3 on the fair value hierarchy.
- (4) Rental fee earned from investment properties is amounting to 5,080 million Won and 4,579 million Won for the years ended December 31, 2018 and 2017, respectively.

15. PREMISES AND EQUIPMENT

- (1) Details of premises and equipment are as follows (Unit: Korean Won in millions):

	December 31, 2018						
	Land	Building	Equipment and vehicles	Leasehold improvement	Construction in progress	Structures	Total
Acquisition cost	1,481,776	872,063	717,141	445,157	8,381	20	3,524,538
Accumulated depreciation	-	(210,301)	(485,119)	(387,960)	-	(17)	(1,083,397)
Net carrying value	<u>1,481,776</u>	<u>661,762</u>	<u>232,022</u>	<u>57,197</u>	<u>8,381</u>	<u>3</u>	<u>2,441,141</u>

	December 31, 2017						
	Land	Building	Equipment and vehicles	Leasehold improvement	Construction in progress	Structures	Total
Acquisition cost	1,487,278	867,804	1,024,186	429,665	64,559	20	3,873,512
Accumulated depreciation	-	(186,958)	(844,114)	(364,878)	-	(17)	(1,395,967)
Net carrying value	<u>1,487,278</u>	<u>680,846</u>	<u>180,072</u>	<u>64,787</u>	<u>64,559</u>	<u>3</u>	<u>2,477,545</u>

(2) Details of changes in premises and equipment are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2018						
	Land	Building	Equipment and vehicles	Leasehold improvement	Construction in progress	Structures	Total
Beginning balance	1,487,278	680,846	180,072	64,787	64,559	3	2,477,545
Acquisitions	1,372	14,701	76,783	17,527	8,285	-	118,668
Disposals	(29)	-	(5,192)	(737)	(187)	-	(6,145)
Depreciation	-	(26,014)	(76,171)	(32,162)	-	-	(134,347)
Classified to assets held for distribution (sale)	(3,746)	(2,742)	(7,991)	(397)	(718)	-	(15,594)
Transfer	(2,863)	(4,760)	63,432	-	(63,432)	-	(7,623)
Foreign currencies translation adjustments	(236)	(257)	(69)	323	(126)	-	(365)
Acquisition through business combination	-	-	969	661	-	-	1,630
Others	-	(12)	189	7,195	-	-	7,372
Ending balance	1,481,776	661,762	232,022	57,197	8,381	3	2,441,141

	For the year ended December 31, 2017						
	Land	Building	Equipment and vehicles	Leasehold improvement	Construction in progress	Structures	Total
Beginning balance	1,488,745	691,699	189,902	68,958	18,717	4	2,458,025
Acquisitions	4,755	22,579	59,694	23,420	51,797	-	162,245
Disposals	(1,840)	(2,593)	(442)	(1,231)	-	-	(6,106)
Depreciation	-	(26,156)	(74,223)	(31,728)	-	(1)	(132,108)
Classified to assets held for sale	(2,693)	(1,059)	549	-	-	-	(3,203)
Transfer	(196)	(2,134)	5,411	-	(5,553)	-	(2,472)
Foreign currencies translation adjustments	(1,493)	(1,393)	(2,023)	(1,315)	(402)	-	(6,626)
Others	-	(97)	1,204	6,683	-	-	7,790
Ending balance	1,487,278	680,846	180,072	64,787	64,559	3	2,477,545

16. INTANGIBLE ASSETS

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

	December 31, 2018							
	Goodwill	Software	Industrial property rights	Development cost	Others	Membership deposit	Construction in progress	Total
Acquisition cost	153,602	38,839	1,250	305,114	728,399	24,099	10,415	1,261,718
Accumulated amortization	-	(12,602)	(688)	(68,696)	(589,557)	-	-	(671,543)
Accumulated impairment losses	-	-	-	-	-	(2,920)	-	(2,920)
Net carrying value	153,602	26,237	562	236,418	138,842	21,179	10,415	587,255

	December 31, 2017							
	Goodwill	Software	Industrial property rights	Development cost	Others	Membership deposit	Construction in progress	Total
Acquisition cost	108,707	203,418	1,063	260,087	634,150	27,337	153,209	1,387,971
Accumulated amortization	-	(162,746)	(524)	(182,846)	(516,467)	-	-	(862,583)
Accumulated impairment losses	-	-	-	-	(137)	(6,652)	-	(6,789)
Net carrying value	108,707	40,672	539	77,241	117,546	20,685	153,209	518,599

(2) Details of changes in intangible assets are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2018							Total
	Goodwill	Software	Industrial property rights	Development cost	Others	Membership deposit	Construction in progress	
Beginning balance	108,707	40,672	539	77,241	117,546	20,685	153,209	518,599
Acquisitions	-	6,839	195	20,935	45,205	5,162	97,067	175,403
Disposal	-	(4,359)	-	-	(196)	(2,871)	-	(7,426)
Amortization (*)	-	(14,028)	(172)	(46,045)	(73,913)	-	-	(134,158)
Reversal of impairment loss	-	-	-	-	-	674	-	674
Classified to assets held for distribution (sale)	-	(3,490)	-	(3,902)	(455)	(2,419)	-	(10,266)
Transfer	-	-	-	188,189	51,672	-	(239,861)	-
Acquisition through business combination	46,752	763	-	-	-	-	-	47,515
Foreign currencies translation adjustment	(1,857)	(165)	-	-	(227)	(52)	-	(2,301)
Others	-	5	-	-	(790)	-	-	(785)
Ending balance	153,602	26,237	562	236,418	138,842	21,179	10,415	587,255

(*) Amortization of other intangible assets amounting to 51,770 million Won is included in other operating expenses.

	For the year ended December 31, 2017							Total
	Goodwill	Software	Industrial property rights	Development cost	Others	Membership deposit	Construction in progress	
Beginning balance	124,803	35,477	313	70,697	164,364	20,086	67,999	483,739
Acquisitions	105	9,722	349	29,133	22,531	1,867	93,716	157,423
Disposal	-	-	-	-	(37)	(944)	-	(981)
Amortization (*)	-	(16,258)	(123)	(22,534)	(60,869)	-	-	(99,784)
Impairment loss	-	-	-	-	(78)	(159)	-	(237)
Transfer	-	7,987	-	-	-	-	(7,987)	-
Foreign currencies translation adjustment	(16,201)	(952)	-	36	(2,742)	(160)	(519)	(20,538)
Others	-	4,696	-	(91)	(5,623)	(5)	-	(1,023)
Ending balance	108,707	40,672	539	77,241	117,546	20,685	153,209	518,599

(*) Amortization of other intangible assets amounting to 48,292 million Won is included in other operating expenses.

(3) Details of goodwill as of December 31, 2018 and 2017 are as follow (Unit: Korea Won in millions)

Goodwill is allocated to cash-generating units, based on management's analysis, that are expected to benefit from the synergies of the combination for impairment testing, and cash-generating units consist of an operating segment or units which are not larger than an operating segment. The recoverable amount of a cash-generating unit is measured at the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. If it is difficult to measure the amount obtainable from the sale, the Group measures the fair value less costs to sell by reflecting the characteristics of the measured cash-generating unit. If it is not possible to obtain reliable information to measure the fair value less costs to sell, the Group uses the asset's value in use as its recoverable amount. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The projections of the future cash flows are based on the most recent financial budget approved by management and generally cover a period of five years. The future cash flows after projection period are estimated on the assumption that the future cash flows will increase by 3.0% for all other cash-generating units. The key assumptions used for the estimation of the future cash flows are the market size and the Group's market share. The discount rate is a pre-tax rate that reflects assumptions regarding risk-free interest rate, market risk premium and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

17. ASSETS HELD FOR DISTRIBUTION (SALE)

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

	December 31, 2018	December 31, 2017
Disposal group as held for distribution	75,590	-
Investments in joint ventures and associates	-	46,217
Premises and equipment, etc. (*)	17,912	2,407
Total	<u>93,502</u>	<u>48,624</u>

(*) The Group classified premises and equipment that are highly likely to be sold within one year as assets held for distribution (sale).

(2) Disposal group as held for distribution:

In accordance with the establishment of financial holding company and plans on share transfer, the Group classified assets, liabilities and equity of each subsidiary as of the end of the reporting period. The details of disposal group held for sale as of December 31, 2018 as follows:

	Gross amount	Intercompany eliminations	Net amount
Disposal group as held for distribution			
Cash And Cash Equivalents	90,771	(55,500)	35,271
Financial assets at FVTPL	133	-	133
Loans and other financial assets at amortized cost	66,514	(57,251)	9,263
Investments in joint ventures and associates	339	-	339
Investment properties	127	-	127
Premises and equipment	9,351	-	9,351
Intangible assets	10,265	-	10,265
Current tax assets	242	-	242
Deferred tax assets	9,778	-	9,778
Others	821	-	821
Total	<u>188,341</u>	<u>(112,751)</u>	<u>75,590</u>
Liabilities of a disposal group classified as held for distribution			
Debentures	10,000	-	10,000
Provisions	1,451	-	1,451
Net defined benefit liability	34,427	-	34,427
Current tax liabilities	2,519	-	2,519
Other financial liabilities	17,979	(576)	17,403
Other liabilities	6,860	-	6,860
Total	<u>73,236</u>	<u>(576)</u>	<u>72,660</u>

The Group calculated net fair value of each subsidiary subject to future distribution as of December 31, 2018 based on the value of net asset and net income. The computed value is 110,773 million Won, and classified as Level 3 in the fair value hierarchy.

The Group measured assets held for distribution (sale) as the smaller amount between the fair value less cost of sale and book value.

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, 2018		
		Collateral given to	Amount	Reason for collateral
Loan at amortized cost and other financial assets	Due from banks on time in local currency	Daishin AMC and others	1,500	Right of pledge
	Due from banks in local currencies	Samsung Securities Co., Ltd. and others	38,112	Margin deposit for futures or option
	Due from banks in foreign currencies	Korea Investment & Securities Co., Ltd. and others	202,156	Foreign margin deposit for future or option and others
Financial assets at FVTOCI	Korean financial institutions' debt securities and others	The BOK and others	2,919,042	Settlement risk and others
	Korean financial institutions' debt securities	Banco Bilbao Vizcaya Argentaria, S.A	33,588	Related to bonds sold under repurchase agreements (*)
Securities at amortized cost	Korean treasury and government bonds	Korea Securities Depository	5,552	Related to bonds sold under repurchase agreements (*)
	Korean treasury and government bonds and others	The BOK and others	6,382,188	Settlement risk and others
Premises and equipment	Land and building	Credit Counselling & Recovery Service and others	5,987	Right to collateral and others
			Total	
		December 31, 2017		
		Collateral given to	Amount	Reason for collateral
Loan and receivables	Due from banks on time in local currency	Bank of China and others	6,629	Collaterals for issuing letter of guarantee and others
	Due from banks in local currencies	Samsung Securities Co., Ltd. and others	10,809	Margin deposit for futures or option
	Due from banks in foreign currencies	Korea Investment & Securities Co., Ltd. and others	9,136	Foreign margin deposit for future or option and others
Financial assets at FVTPL	Korean financial institutions' debt securities and others	Yuanta Securities Co., Ltd. and others	501,523	Substitute securities and others
	AFS financial assets	Korean treasury and corporate bonds	Korea Securities Depository and others	9,998
		Korean treasury and government bonds and others	The BOK and others	1,570,608
HTM financial assets	Korean treasury and government bonds	Korea Securities Depository	5,436	Related to bonds sold under repurchase agreements (*)
	Korean financial institutions' debt securities and others	The BOK and others	7,605,292	Settlement risk and others
Premises and equipment	Land and building	Credit Counselling & Recovery Service and others	6,186	Leasehold rights and others
			Total	

(*) The Group has the agreements to repurchase the sold assets at the predetermined price or the price that includes the rate of return and to provide the guarantee on the assets. The transferee has the right to sell or to provide as guarantee. Therefore, the Group does not derecognize the assets, but recognizes the relevant amounts as liability (bonds sold under repurchase agreements).

- (2) There are no the carrying amounts of assets acquired through foreclosure and the carrying amounts of assets acquired through foreclosure of December 31, 2017 are as follows. (Unit: Korean Won in millions):

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Land	-	332
Buildings	-	44
Total	<u>-</u>	<u>376</u>

- (3) Securities loaned are as follows (Unit: Korean Won in millions):

		<u>December 31, 2018</u>	<u>December 31, 2017</u>	
Financial assets at FVTOCI	Korean financial institutions' debt securities and others	40,029	-	Loaned to Korea Securities Finance Corporation
AFS financial assets	Korean treasury, government bonds and others	-	170,256	Korea Securities Finance Corporation and others
Total		<u>40,029</u>	<u>170,256</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 that can be disposed and re-subjected to lien regardless of defaults of counterparties as of December 31, 2018 and 2017 are as follows (Unit: Korean Won in millions):

	<u>December 31, 2018</u>	
	<u>Fair values of collaterals</u>	<u>Fair values of collaterals were disposed or re-subjected to lien</u>
Securities	12,262,041	-
	<u>December 31, 2017</u>	
	<u>Fair values of collaterals</u>	<u>Fair values of collaterals were disposed or re-subjected to lien</u>
Securities	17,671,490	-

19. OTHER ASSETS

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Prepaid expenses	160,327	130,245
Advance payments	18,448	18,363
Non-operative assets	-	376
Others	18,057	9,420
Total	<u>196,832</u>	<u>158,404</u>

20. FINANCIAL LIABILITIES AT FVTPL

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Financial liabilities at fair value through profit or loss mandatorily measured at fair value	2,117,919	-
Financial liabilities held for trading	-	3,176,113
Financial liabilities at fair value through profit or loss designated as upon initial recognition	164,767	-
Financial liabilities designated as at FVTPL	-	251,796
Total	<u>2,282,686</u>	<u>3,427,909</u>

(2) Financial liabilities at fair value through profit or loss mandatorily measured at fair value (Financial liabilities held for trading) are as follows (Unit: Korean Won in millions):

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Deposits		
Gold banking liabilities	27,058	25,964
Derivative liabilities	2,090,861	3,150,149
Total	<u>2,117,919</u>	<u>3,176,113</u>

(3) Financial liabilities at fair value through profit or loss designated as upon initial recognition (Financial liabilities designated as at FVTPL) are as follows (Unit: Korean Won in millions):

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Equity-linked securities index		
Equity-linked securities index in short position	164,767	160,057
Debentures		
Debentures in local currency	-	91,739
Total	<u>164,767</u>	<u>251,796</u>

Financial liabilities at fair value through profit or loss designated as upon initial recognition are designated in order to eliminate or significantly reduce accounting mismatch arising from recognition or measurement.

(4) Accumulated changes in credit risk adjustments to financial liabilities at fair value through profit or loss designated as upon initial recognition does not have.

The adjustment to reflect Group's credit risk is considered in measuring the fair value of equity-linked securities index and debentures. The Group's credit risk is determined by adjusting credit spread observed in credit rating of Group.

(5) The difference between carrying amount and maturity amount of financial liabilities at fair value through profit or loss designated as upon initial recognition (Financial liabilities designated as at FVTPL) are as follows (Unit: Korean Won in millions):

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Carrying amount	164,767	251,796
Nominal amount at maturity	217,280	255,408
Difference	<u>(52,513)</u>	<u>(3,612)</u>

(6) Changes in equity in relation to financial liabilities at fair value through profit or loss designated as upon initial recognition

The cumulative gain or loss realized as a result of the derecognition of financial liabilities designated as at FVTPL that is presented in other comprehensive income and transferred within equity is 4 million (after income tax expense) Won for the year ended December 31, 2018.

21. DEPOSITS DUE TO CUSTOMERS

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

	December 31, 2018	December 31, 2017
Deposits in local currency:		
Deposits on demand	11,076,417	9,349,070
Deposits at termination	204,051,570	194,292,679
Mutual installment	30,783	34,055
Deposits on notes payables	1,891,556	1,323,679
Deposits on CMA	137,316	164,431
Customer deposit for security investment	30,000	50,000
Certificate of deposits	6,510,571	4,436,443
Other deposits	1,409,505	1,401,841
Sub-total	<u>225,137,718</u>	<u>211,052,198</u>
Deposits in foreign currency:		
Deposits in foreign currencies	23,626,234	23,682,896
Present value discount	(73,013)	(40,010)
Total	<u>248,690,939</u>	<u>234,695,084</u>

22. BORROWINGS AND DEBENTURES

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

	Lenders	December 31, 2018	
		Interest rate (%)	Amount
Borrowings in local currency:			
Borrowings from The BOK	The BOK	0.5 ~ 0.8	1,335,459
Borrowings from government funds	Small Enterprise And Market Service and others	0.0 ~ 3.5	1,771,379
Others	The Korea Development Bank and others	0.0 ~ 4.0	4,716,231
Sub-total			<u>7,823,069</u>
Borrowings in foreign currencies:			
Borrowings in foreign currencies	The Export-Import Bank of Korea and others	0.0 ~ 7.5	7,308,857
Offshore borrowings in foreign currencies	JPMORGAN CHASE BANK	2.9	33,543
Sub-total			<u>7,342,400</u>
Bills sold	Others	0.0 ~ 1.8	19,336
Call money	Bank and others	0.0 ~ 7.3	975,358
Bonds sold under repurchase agreements	Other financial institutions	0.8 ~ 12.7	42,907
Present value discount			(84)
Total			<u>16,202,986</u>

		December 31, 2017	
		Lenders	Interest rate (%)
		Amount	
Borrowings in local currency:			
Borrowings from The BOK	The BOK	0.5 ~ 0.8	1,404,087
Borrowings from government funds	Small Enterprise And Market Service and others	0.0 ~ 2.9	1,723,340
Others	The Korea Development Bank and others	0.0 ~ 3.2	<u>3,957,421</u>
Sub-total			<u>7,084,848</u>
Borrowings in foreign currencies:			
Borrowings in foreign currencies	The Export-Import Bank of Korea and others	0.0 ~ 6.8	6,996,551
Offshore borrowings in foreign currencies	Commonwealth Bank	1.8	<u>28,285</u>
Sub-total			<u>7,024,836</u>
Bills sold	Others	0.0 ~ 1.2	36,953
Call money	Bank and others	1.5 ~ 2.7	635,061
Bonds sold under repurchase agreements	Other financial institutions	0.6 ~ 12.7	3,173
Present value discount			(165)
Total			<u>14,784,706</u>

(2) Details of debentures are as follows (Unit: Korean Won in millions):

	December 31, 2018		December 31, 2017	
	Interest rate (%)	Amount	Interest rate (%)	Amount
Face value of bond(*):				
Ordinary bonds	1.6 ~ 4.5	22,422,183	1.5 ~ 5.8	22,468,908
Subordinated bonds	3.0 ~ 12.6	5,358,838	3.4 ~ 12.6	4,781,301
Other bonds	1.9 ~ 17.0	974,230	1.6 ~ 17.0	649,615
Sub-total		<u>28,755,251</u>		<u>27,899,824</u>
Discounts on bonds		<u>(29,389)</u>		<u>(30,173)</u>
Total		<u>28,725,862</u>		<u>27,869,651</u>

(*) Included debentures under fair value hedge relationships are 2,956,565 million Won and 3,089,751 million Won as of December 31, 2018 and 2017, respectively. Also, debentures under cash flow hedge amounting to 823,219 million Won and 694,548 million Won are included as of December 31, 2018 and 2017, respectively.

23. PROVISIONS

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

	December 31, 2018	December 31, 2017
Asset retirement obligation	67,093	61,872
Provisions for guarantees (*1)	89,761	183,247
Provisions for unused loan commitments	121,535	66,115
Provisions for customer reward credits	49,180	40,445
Other provisions (*2)	<u>62,293</u>	<u>58,791</u>
Total	<u>389,862</u>	<u>410,470</u>

(*1) Provisions for guarantees includes provision for financial guarantee of 47,817 million Won and 71,697 million Won as of December 31, 2018 and 2017, respectively.

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

(2) Changes in provisions for guarantees and unused loan commitments are as follows (Unit: Korean Won in millions):

1) Provisions for guarantees

	For the year ended December 31, 2018			
	Stage1	Stage2	Stage3	Total
Beginning balance (*1)	47,132	18,281	127,511	192,924
Replaced with 12-month expected credit loss	92	(92)	-	-
Replaced with expected credit loss for the entire period	(237)	91,008	(90,771)	-
Replaced with credit-impaired financial assets	(38)	(29)	67	-
Provisions used	(20,429)	-	-	(20,429)
Net reversal of unused amount	(4,866)	(75,410)	(25,709)	(105,985)
Others (*2)	23,249	2	-	23,251
Ending balance	44,903	33,760	11,098	89,761

(*1) The beginning balance was restated in accordance with K-IFRS 1109.

(*2) This is the effect of new financial guarantee contracts that are initially measured at fair value.

	For the year ended December 31, 2017	
	Provision for guarantees	
Beginning balance		238,117
Provisions provided		4,876
Provisions used and others		(24,898)
Reversal of unused amount		(60,300)
Foreign currencies translation adjustments		9
Others		25,443
Ending balance		183,247

2) Provisions for unused loan commitment

	For the year ended December 31, 2018			
	Stage1	Stage2	Stage3	Total
Beginning balance (*)	75,232	27,875	1,878	104,985
Replaced with 12-month expected credit loss	7,770	(7,396)	(374)	-
Replaced with expected credit loss for the entire period	(2,376)	2,525	(149)	-
Replaced with credit-impaired financial assets	(213)	(1,579)	1,792	-
Net provision(reversal) of unused amount	(5,813)	23,860	(1,521)	16,526
Others	24	-	-	24
Ending balance	74,624	45,285	1,626	121,535

(*) The beginning balance was restated in accordance with K-IFRS 1109.

	For the year ended December 31, 2017	
	Provision for unused loan commitments	
Beginning balance		87,909
Provisions provided		2,028
Provisions used and others		(68)
Reversal of unused amount		(23,744)
Foreign currencies translation adjustments		(10)
Ending balance		66,115

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

	For the years ended December 31	
	2018	2017
Beginning balance	61,872	58,076
Provisions provided	1,489	2,225
Provisions used	(913)	(1,283)
Reversal of provisions unused	(1,038)	(733)
Amortization	564	428
Increase in restoration costs and others	5,119	3,159
Ending balance	67,093	61,872

The amount of the asset retirement obligation is the present value of the best estimate of future expected expenditure to settle the obligation – arising from leased premises as of December 31, 2018, discounted by appropriate discount rate. The restoration cost is expected to occur by the end of each premise's lease period, and the Group has used average lease period of each category of leases terminated during the past years in order to rationally estimate the lease period. In addition, the Group used average amount of actual recovery cost for the past 3 years and the inflation rate for last year in order to estimate future recovery cost.

(4) Changes in other provisions are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2018		
	Provisions for customer reward credits	Other provisions	Total
Beginning balance	40,445	58,791	99,236
Provisions provided	70,138	8,384	78,522
Provisions used	(98,170)	(6,940)	(105,110)
Reversal of unused amount	-	(52)	(52)
Foreign currencies translation adjustments	-	(194)	(194)
Transfer (*)	9,228	-	9,228
Others	27,539	2,304	29,843
Ending balance	49,180	62,293	111,473

	For the years ended December 31, 2017		
	Provisions for customer reward credits	Other provisions	Total
Beginning balance	22,093	22,282	44,375
Provisions provided	62,593	42,042	104,635
Provisions used	(84,979)	(8,014)	(92,993)
Reversal of unused amount	-	(77)	(77)
Foreign currencies translation adjustments	-	(249)	(249)
Transfer (*)	21,808	-	21,808
Others	18,930	2,807	21,737
Ending balance	40,445	58,791	99,236

(*) As the credits of the affiliates were transferred to the Group, the allowance for the provisions for customer reward credits increased for the years ended December 31, 2018, and 2017, respectively.

(5) Others

The Group provides settlement services for payments in Korean Won to facilitate trade transactions between Korea and Iran. In connection with these services, the Group is currently being investigated by US government agencies including US prosecutors (United States Attorney's Office and New York State Attorney General's Office) as to whether the Group has violated United States laws by participating in prohibited transactions involving the following countries: Iran, Sudan, Syria and Cuba, which have been sanctioned by the US.

24. NET DEFINED BENEFIT LIABILITY

The characteristics of the Group's defined benefit retirement pension plans 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 salary 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 blue chip corporate bonds earnings. A deficit may occur if the rate of return of plan assets falls short of the interest rate.
Decrease in profitability of blue chip bonds	A decrease in profitability of blue chip 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 obligation.
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 are as follows (Unit: Korean Won in millions):

	December 31, 2018	December 31, 2017
Present value of defined benefit obligation	1,209,669	1,071,170
Fair value of plan assets	(1,070,987)	(1,027,906)
Net defined benefit liability	<u>138,682</u>	<u>43,264</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, 2018	For the year ended December 31, 2017
Beginning balance	1,071,170	984,381
Current service cost	144,394	146,750
Interest cost	32,143	26,629
Remeasurements	100,854	(20,389)
Foreign currencies translation adjustments	(3)	(279)
Retirement benefit paid	(74,952)	(55,552)
Curtailement or settlement	-	(10,928)
Transfer to assets held for distribution (sale)	(65,351)	-
Others	1,414	558
Ending balance	<u>1,209,669</u>	<u>1,071,170</u>

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

	For the year ended December 31, 2018	For the year ended December 31, 2017
Beginning balance	1,027,906	990,653
Interest income	33,825	30,601
Remeasurements	(14,783)	(14,125)
Employer's contributions	128,926	43,114
Retirement benefit paid	(71,672)	(51,877)
Curtailment or settlement	-	(11,052)
Transfer to assets held for distribution (sale)	(30,924)	-
Others	(2,291)	40,592
Ending balance	<u>1,070,987</u>	<u>1,027,906</u>

- (4) Plan assets wholly consist of fixed deposits as of December 31, 2018 and 2017. Among plan assets, realized returns on plan assets amount to 19,042 million Won and 16,476 million Won for the years ended December 31, 2018 and 2017, respectively.

Meanwhile, the contribution expected to be paid in the next accounting year amounts to 161,571 million Won.

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

	For the year ended December 31, 2018	For the year ended December 31, 2017
Current service cost	144,394	146,750
Net interest income	(1,682)	(3,972)
Loss on the curtailment or settlement	-	124
Cost recognized in net income	<u>142,712</u>	<u>142,902</u>
Remeasurements	115,637	(6,264)
Cost recognized in total comprehensive income	<u>258,349</u>	<u>136,638</u>

Retirement benefit service costs related to defined contribution plans amount to 2,437 million Won and 3,946 million Won for the years ended December 31, 2018 and 2017, respectively.

- (6) Key actuarial assumptions used in net defined benefit liability measurement are as follows:

	December 31, 2018	December 31, 2017
Discount rate	2.69%	3.18%
Future wage growth rate	6.18%	6.18%
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

The weighted average maturity of defined benefit liability is 8.05 ~ 13.21 years.

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

		<u>December 31, 2018(*)</u>	<u>December 31, 2017(*)</u>
Discount rate	Increase by 1% point	(116,812)	(116,405)
	Decrease by 1% point	136,990	137,151
Future wage growth rate	Increase by 1% point	135,767	136,707
	Decrease by 1% point	(118,020)	(117,765)

(*) The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

25. OTHER FINANCIAL LIABILITIES AND OTHER LIABILITIES

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other financial liabilities:		
Accounts payable	5,407,025	4,692,320
Accrued expenses	2,212,350	2,049,861
Borrowings from trust accounts	3,747,492	3,271,817
Agency business revenue	396,735	344,591
Foreign exchange payables	539,554	590,667
Domestic exchange settlement credits	7,134,966	1,309,646
Other miscellaneous financial liabilities	1,990,426	1,635,156
Present value discount	(2,484)	(1,597)
Sub-total	<u>21,426,064</u>	<u>13,892,461</u>
Other liabilities:		
Unearned income	204,034	180,664
Other miscellaneous liabilities	134,241	103,317
Sub-total	<u>338,275</u>	<u>283,981</u>
Total	<u>21,764,339</u>	<u>14,176,442</u>

26. DERIVATIVES

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

	December 31, 2018					
	Assets			Liabilities		
	Nominal amount	For fair value hedge	For trading	For cash flow hedge	For fair value hedge	For trading
Interest rate:						
Futures	-	-	-	-	-	-
Swaps	150,710,490	35,503	218,140	665	17,654	266,207
Purchase options	530,000	-	10,461	-	-	-
Written options	525,000	-	-	-	-	12,438
Currency:						
Futures	320,213	-	-	-	-	-
Forwards	88,376,776	-	843,621	-	-	777,039
Swaps	67,179,195	-	761,907	33,089	-	773,701
Purchase options	1,933,454	-	17,544	-	-	-
Written options	3,134,774	-	-	-	-	20,747
Equity:						
Futures	186,737	-	-	-	-	-
Swaps	441,573	-	31,377	-	-	1,217
Purchase options	4,925,315	-	143,029	-	-	-
Written options	6,145,935	-	-	-	-	239,512
Total	324,409,462	35,503	2,026,079	33,754	17,654	2,090,861
	December 31, 2017					
	Assets			Liabilities		
	Nominal amount	For fair value hedge	For trading	For cash flow hedge	For fair value hedge	For trading
Interest rate:						
Futures	75,845	-	-	-	-	-
Swaps	130,197,378	59,272	223,935	-	12,103	253,972
Purchase options	630,000	-	12,346	-	-	-
Written options	795,000	-	-	-	-	12,869
Currency:						
Futures	318,217	-	-	-	-	-
Forwards	72,526,956	-	1,314,368	-	-	1,375,799
Swaps	48,176,306	-	1,352,924	55,651	-	1,347,905
Purchase options	2,291,154	-	64,267	-	-	-
Written options	4,038,237	-	-	-	-	58,687
Equity:						
Futures	91,436	-	-	-	-	-
Swaps	15,000	-	103	-	-	10
Purchase options	5,060,706	-	146,775	-	-	-
Written options	4,504,290	-	-	-	-	99,770
Others:						
Futures	-	-	-	-	-	-
Swaps	7,805	-	1,056	-	-	1,037
Purchase options	-	-	-	-	-	-
Written options	5,000	-	-	-	-	100
Total	268,733,330	59,272	3,115,774	55,651	12,103	3,150,149

Derivatives held for trading are classified into financial assets at FVTPL (Note 7) and financial liabilities at FVTPL (Note 20), and derivatives designated for hedging are presented as a separate line item in the consolidated statements of financial position.

(2) Overview of the Group's hedge accounting

1) Fair value hedge

As of the current period end, the Group has applied fair value hedge on fixed interest rate foreign currency denominated debentures amounting to 2,956,565 million Won. The purpose of the hedging is to avoid fair value volatility risk of fixed interest rate foreign currency denominated debentures derived from fluctuations of market interest rate, and as such the Group entered into interest rate swap agreements designated as hedging instruments.

Pursuant to the interest rate swap agreement, by swapping the calculated difference between the fixed interest rate and floating interest rate applied to the nominal value, the fair value fluctuation risk is hedged as the foreign currency denominated debentures fixed interest rate terms are converted to floating interest rate. Pursuant to the interest rate swap agreement, hedge ratio is determined by matching the nominal value to the face value of the hedging instrument.

In this hedging relationship, only the market interest rate fluctuation, which is the most significant part of the fair value change of the hedged item, is designated as the hedged risk, and other risk factors including credit risk are not included in the hedged risk. Therefore, the ineffective portion of the hedge could arise from fluctuations in the timing of the cash flow of the hedged item, the change in the total amount and price of the hedged item, or significant credit risk fluctuation of either party of the hedging instrument.

The interest rate swap agreements and the hedged items are subject to fluctuations in the underlying market rate of interest and the Group expects the fair value of the interest rate swap contract and the value of the hedged item to generally change in the opposite direction.

The fair value of the interest rate swap at the end of the reporting period is determined by discounting future cash flows estimated using the yield curve at the end of the reporting period and the credit risk embedded in the contract and the average interest rate is determined based on the outstanding balance at the end of the reporting period. The variable interest rate applied to the interest rate swap is USD Libor 3M (6M) plus spread. In accordance with the terms of each interest rate swap contract designated as a hedging instrument, the Group receives interest at a fixed interest rate and pays interest at a variable interest rate.

2) Cash Flow Hedge

As of the end of the current period, the Group has applied cash flow hedge on foreign currency denominated debentures amounting to 723,308 million Won and debentures on local currency amounting to 99,911 million Won. The Group's hedging strategies are to ① Mitigate risks of cash flow fluctuation from variable interest rate debentures due to changes in market interest rate by entering into an interest rate swap contract and thereby designating it as hedging instrument; ② Mitigate the risks of cash flow fluctuation from principal and interest of variable-interest rate debentures denominated in foreign currency due to changes in foreign exchange rates and interest rates by entering into a currency swap contract and thereby designating it as hedging instrument; and ③ Mitigate the risks of cash flow fluctuation from principal and interest of fixed-interest rate debentures denominated in foreign currency due to changes in foreign exchange rates by entering into a currency swap contract and thereby designating it as hedging instrument.

This means exchanging a predetermined nominal amount as set forth in the interest rate swap contract adjusted by the differences between the fixed and variable interest rates, which results in the conversion of interest rates of debentures from variable interest into fixed interest, eliminating the cash flow fluctuation risk.

In addition, this also means a payment of predetermined principal amount as set forth in the currency swap adjusted by fixed interest rate, an exchange of an amount calculated by applying variable interest rate to USD or applying fixed interest rate to SGD, and an exchange of the principal denominated in KRW and principal denominated in foreign currency at maturity eliminating cash flow fluctuation risk on principal and interest.

The hedge ratio is determined by matching the nominal amount of the hedging instrument to the face amount of the hedged item in accordance with interest rate swap and currency swap.

Only interest rate and foreign exchange rate fluctuation risk, which is the most significant factor in the cash flow fluctuation of the hedged item, is addressed in this hedging relationship, and other risk factors such as credit risk are not subject to hedging.

Thus, there could be hedge ineffectiveness arising from price margin set by the counterparty of hedging instruments and unilateral change in credit risk of any party to the transaction.

The interest rate swap, currency swap contract and the hedged item are all affected by the changes in market interest rate and foreign exchange rates which are basic factors of the derivative. The Group expects that the value of currency swap contract and the hedged item will generally fluctuate in opposite direction.

- (3) The nominal amounts of the hedging instrument as of December 31, 2018 are as follows (Unit: USD, SGD and Korean Won in millions):

	1 year or less	1 year to 5 years	More than 5 years	Total
Fair value hedge				
Interest rate risk				
Interest rate swap(USD)	-	1,350,000,000	1,300,000,000	2,650,000,000
Cash flow hedge				
Interest rate risk				
Interest rate swap(KRW)	-	100,000	-	100,000
Foreign currencies translation risk and interest rate risk				
Currency swap(USD)	50,000,000	450,000,000	-	500,000,000
Foreign currencies translation risk				
Currency swap(SGD)	-	204,000,000	-	204,000,000

- (4) The average interest rate and average currency rate of the hedging instrument as of December 31, 2018 are as follows:

	Average interest rate and average currency rate
Fair value hedge	
Interest rate risk	
Interest rate swaps(USD)	Fixed 3.96% receipt and Libor 3M+1.61% floating paid Fixed 5.88% receipt and Libor 6M+2.15% floating paid
Cash flow hedge	
Interest rate risk	
Interest rate swap(KRW)	KRW 3Y CMS+0.395% receipt, KRW 2.38% paid
Foreign currencies translation risk and interest rate risk	
Currency swap(USD)	USD 3M Libor+0.7% receipt, KRW 1.74% paid, USD/KRW = 1,136 USD 1M Libor+0.517% receipt, KRW 1.70% paid, USD/KRW = 1,178
Foreign currencies translation risk	
Currency swap(SGD)	SGD 1.91% receipt, KRW 1.98% paid, SGD/KRW = 828

- (5) The amounts related to items designated as hedging instruments as of December 31, 2018 are as follows (Unit: USD, SGD and Korean Won in millions):

	Nominal amounts of the hedging instrument	Carrying amounts of the hedging instrument		Line item in the statement of financial position where the hedging instrument is located	Changing in fair value used for calculating hedge ineffectiveness
		Assets	Liabilities		
Fair value hedge Interest rate risk Interest rate swaps(USD)	2,650,000,000	35,503	17,654	Derivative assets (Designated for hedging) Derivative liabilities (Designated for hedging)	(27,362)
Cash flow hedge Interest rate risk Interest rate swap(KRW)	100,000	-	665	Derivative liabilities (Designated for hedging)	(665)
Foreign currencies translation risk and interest rate risk Currency swap (USD)	500,000,000	-	28,907	Derivative liabilities (Designated for hedging)	21,582
Foreign currencies translation risk Currency swap (SGD)	204,000,000	-	4,182	Derivative liabilities (Designated for hedging)	2,353

- (6) Details of carrying amount to hedged and amount adjusted due to hedge accounting as of December 31, 2018 are as follows (Unit: Korean won in millions):

	Carrying amounts of the hedging item		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in the statement of financial position in which the hedged item is included	Changing in fair value used for calculating hedge ineffectiveness	Cash flow hedge reserve (*)
	Assets	Liabilities	Assets	Liabilities			
Fair value hedge Interest rate risk Debenture	-	2,956,565	-	5,200	Debentures	25,498	-
Cash flow hedge Interest rate risk Debenture	-	99,911	-	-	Debentures	521	(371)
Foreign currencies translation risk and interest rate risk Debenture	-	557,186	-	-	Debentures	(16,790)	(1,211)
Foreign currencies translation risk Debenture	-	166,122	-	-	Debentures	(1,762)	(2,287)

(*) After tax amount

- (7) Amounts recognized in profit or loss due to the ineffective portion of fair value hedges during the current period are as follows (Unit: Korean Won in millions):

		Hedge ineffectiveness recognized in profit or loss	Line item in the profit that includes hedge ineffectiveness
Fair value hedge	Interest rate risk	(1,864)	Other net operating income

- (8) Reclassification of profit or loss from other comprehensive income and equity related to cash flow hedges is as follows (Unit: Korean Won in millions):

		Changes in the value of hedging instruments recognized in cash flow hedge reserve	Hedge ineffectiveness recognized in profit or loss	Changes in the value of foreign basis spread recognized in OCI	Line item in the profit or loss that includes hedge ineffectiveness	Amounts reclassified from cash flow hedge reserve to profit or loss	Line item affected in profit or loss because of the reclassification
Cash flow hedge	Interest rate risk	(517)	(148)	-	Other net operating expense	-	Other net operating expense
	Foreign currencies translation risk and interest rate risk	21,429	153	(882)	Other net operating income (expense)	(23,084)	Other net operating expense
	Foreign currencies translation risk	2,353	-	(491)	Other net operating income	(3,601)	Other net operating expense

27. DEFERRED DAY 1 PROFITS OR LOSSES

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

	For the years ended December 31	
	2018	2017
Beginning balance	7,416	13,422
New transactions	23,678	500
Amounts recognized in losses	(5,631)	(6,506)
Ending balance	25,463	7,416

In case some variables to measure fair values of financial instruments are not observable in the market, valuation techniques are utilized to evaluate such financial instruments. Those financial instruments are recorded the transaction price as at the time of acquisition, even though there are 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 shares authorized and others are as follows:

	December 31, 2018	December 31, 2017
Shares of common stock authorized	5,000,000,000 Shares	5,000,000,000 Shares
Par value	5,000 Won	5,000 Won
Shares of common stock issued	676,000,000 Shares	676,000,000 Shares
Capital stock	3,381,392 million Won	3,381,392 million Won

- (2) There are no changes in the number of shares issued and outstanding for the years ended December 31, 2018 and 2017.

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

	December 31, 2018	December 31, 2017
Capital in excess of par value	269,533	269,533
Other capital surplus	16,356	16,347
Total	285,889	285,880

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, 2018	December 31, 2017
Securities in local currency	June 20, 2008	June 20, 2038	7.7	-	255,000
	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
	July 26, 2018	-	4.4	400,000	-
Securities in foreign currencies	June 10, 2015	June 10, 2045	5.0	559,650	559,650
	September 27, 2016	-	4.5	553,450	553,450
	May 16, 2017	-	5.3	562,700	562,700
Issuance cost			(13,837)	(12,912)	
Total			<u>3,161,963</u>	<u>3,017,888</u>	

The hybrid securities mentioned above are either without a maturity date or its maturity can be extended indefinitely at the maturity date without change of terms.

30. OTHER EQUITY

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

	December 31, 2018	December 31, 2017
Accumulated other comprehensive loss:		
Net loss on valuation of financial assets at FVTOCI	(87,182)	-
Gain on valuation of AFS financial assets	-	301,930
Gain on financial liabilities at FVTPL(K-IFRS 1109) designated as upon initial recognition due to own credit risk	-	-
Share of other comprehensive gain(loss) of joint ventures and associates	302	(1,251)
Loss on foreign currency translation of foreign operations	(244,735)	(242,700)
Remeasurement loss related to defined benefit plan	(223,529)	(152,624)
Gain (loss) on valuation of derivatives designated as cash flow hedges	(3,869)	777
Equity related to assets held for distribution (sale)	(13,197)	4,145
Sub-total	<u>(572,210)</u>	<u>(89,723)</u>
Treasury shares	(34,113)	(34,113)
Other capital adjustments(*)	<u>(1,607,647)</u>	<u>(1,815,438)</u>
Total	<u>(2,213,970)</u>	<u>(1,939,274)</u>

(*) Other capital adjustments include gain or loss on capital transactions that was recognized in 2014 as a result of the merger of Woori Bank and Woori Finance Holdings Co., Ltd.

- (2) Changes in the accumulated other comprehensive loss, net of tax, are as follows (Unit: Korean Won in millions):

For the year ended December 31, 2018						
	Beginning balance (*1)	Increase (decrease) (*2)(*3)	Reclassification adjustments	Related to assets held for distribution (sale)	Income tax effect	Ending balance
Net gain (loss) on valuation of financial assets at FVTOCI	(88,906)	(8,677)	8,015	-	2,386	(87,182)
Gain (loss) on financial liabilities at FVTPL (K-IFRS 1109) designated as upon initial recognition due to own credit risk	(96)	132	-	-	(36)	-
Share of other comprehensive gain (loss) of joint ventures and associates	(2,656)	4,080	-	-	(1,122)	302
Gain (loss) on foreign currency translation of foreign operations	(242,806)	(2,661)	-	-	732	(244,735)
Remeasurement gain (loss) related to defined benefit plan	(152,358)	(85,007)	-	(13,197)	27,033	(223,529)
Gain (loss) on valuation of derivatives designated as cash flow hedges	777	30,655	(26,871)	-	(8,430)	(3,869)
Transfer to assets held for distribution (sale)	4,145	(17,342)	-	-	-	(13,197)
Total	(481,900)	(78,820)	(18,856)	(13,197)	20,563	(572,210)

(*1) The beginning balance was adjusted in accordance with K-IFRS 1109.

(*2) Net gain (loss) on valuation of financial assets at FVTOCI included the 1,009 million Won transfer to retained earnings due to disposal of equity securities.

(*3) Gain (loss) on financial liabilities at fair value through profit or loss designated as upon initial recognition due to own credit risk included the 4 million Won transfer to retained earnings due to redemption.

For the year ended December 31, 2017					
	Beginning balance	Increase (decrease)(*)	Reclassification adjustments(*)	Income tax effect	Ending balance
Gain (loss) on valuation of AFS financial assets	386,981	80,997	(164,803)	(1,245)	301,930
Share of other comprehensive income (loss) of joint ventures and associates	(1,863)	2,516	-	(1,904)	(1,251)
Gain (loss) on foreign currency translation of foreign operations	(48,353)	(193,272)	-	(1,075)	(242,700)
Remeasurement gain (loss) related to defined benefit plan	(163,397)	6,216	-	4,557	(152,624)
Gain (loss) on valuation of cash flow hedges	-	1,025	-	(248)	777
Transfer to assets held for sale	-	4,145	-	-	4,145
Total	173,368	(98,373)	(164,803)	85	(89,723)

(*) For the change in gain (loss) on valuation of AFS financial assets, "increase (decrease)" represents change due to the valuation during the period, and "reclassification adjustments" represents disposal or recognition of impairment losses on AFS financial assets.

31. RETAINED EARNINGS AND OTHER RESERVE

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

		December 31, 2018	December 31, 2017
Legal reserve	Earned surplus reserve	1,857,754	1,729,754
	Other legal reserve	46,384	45,668
	Sub-total	<u>1,904,138</u>	<u>1,775,422</u>
Voluntary reserve	Business rationalization reserve	8,000	8,000
	Reserve for financial structure improvement	235,400	235,400
	Additional reserve	7,759,804	7,418,806
	Regulatory reserve for credit loss	2,578,457	2,438,191
	Revaluation reserve	715,860	751,964
	Other voluntary reserve	-	11,700
	Sub-total	<u>11,297,521</u>	<u>10,864,061</u>
	Retained earnings before appropriation(*)	<u>3,922,998</u>	<u>2,980,523</u>
	Total	<u>17,124,657</u>	<u>15,620,006</u>

(*) The unappropriated retained earnings for the current period has been restated in accordance with K-IFRS 1109.

i. Earned surplus reserve

In accordance with the Article 40, Banking Act, earned surplus reserve is 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 10 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 are an Autonomous judgment matter of the Group since 2015.

v. Additional reserve

Additional reserve was appropriated for capital adequacy and other management purpose.

vi. Regulatory reserve for credit loss

In accordance with paragraphs 1 and 2 of Article 29 of the Regulation on Supervision of Banking Business ("RSBB"), if provisions for credit loss under K-IFRS for the accounting purpose are lower than provisions under RSBB, the Bank limits such shortfall amount as regulatory reserve for credit loss.

vii. Revaluation reserve

In accordance with attached table 3 of the Regulation on Supervision of Banking Business Enforcement Rules Revaluation reserve is the amount of limited dividends set by the board of directors to be recognized as complementary capital when the gain or loss occurred in the property revaluation by adopting K-IFRS.

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”), the Group shall disclose the difference as the planned regulatory reserve for credit loss. The planned provision (reversal) is recognized subsequent to December 31, 2018.

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

	December 31, 2018	December 31, 2017
Balance as at December 31	2,578,457	2,438,191
Planned provision (reversal) of regulatory reserve for credit loss	(222,211)	140,266
Balance after recognizing the planned provision(reversal)	<u>2,356,246</u>	<u>2,578,457</u>

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

	For the years ended December 31	
	2018	2017
Net income	2,051,649	1,530,088
Provision of regulatory reserve for credit loss(*)	40,875	140,266
Adjusted net income after the provision of regulatory reserve	2,010,774	1,389,822
Adjusted EPS after the provision of regulatory reserve (Unit: Korean Won)	2,762	1,817

(*) The amount of reserve for credit loss for the year ended December 31, 2018 is calculated considering only the change in the reserve for credit loss after the accounting policy change due to adoption of K-IFRS 1109. Therefore, the effect of reducing the reserve for credit losses due to changes in accounting policies was excluded.

33. DIVIDENDS

Dividends for the years 2018 and 2017 are 650 Won and 500 Won, respectively, and the total amount of dividends paid are 437,626 million Won and 336,636 million Won, respectively. The dividends for the current period will be submitted as an agenda in the upcoming annual shareholders’ meeting scheduled on March 27, 2019.

34. NET INTEREST INCOME

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

	For the years ended December 31	
	2018	2017
Financial assets at FVTPL (K-IFRS 1109)	54,243	-
Financial assets at FVTOCI	280,371	-
Financial assets at amortized cost		
Securities at amortized cost	376,788	-
Loans and other financial assets at amortized cost:		
Interest on due from banks	112,581	-
Interest on loans	8,832,485	-
Interest of other receivables	28,031	-
Sub-total	9,349,885	-
Financial assets at FVTPL (K-IFRS 1039)	-	53,348
AFS financial assets	-	239,030
HTM financial assets	-	307,965
Loans and receivables:		
Interest on due from banks	-	83,325
Interest on loans	-	7,835,957
Interest of other receivables	-	31,062
Sub-total	-	7,950,344
Total	9,684,499	8,550,687

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

	For the years ended December 31	
	2018	2017
Interest on deposits due to customers	2,917,165	2,380,263
Interest on borrowings	306,739	238,212
Interest on debentures	720,394	638,653
Other interest expense	89,250	72,909
Total	4,033,548	3,330,037

35. NET FEES AND COMMISSIONS INCOME

(1) Details of fees and commissions income recognized are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2018	2017
Fees and commission received for brokerage	162,344	164,041
Fees and commission received related to credit	173,233	166,364
Fees and commission received for electronic finance	121,250	110,105
Fees and commission received on foreign exchange handling	60,433	58,383
Fees and commission received on foreign exchange	66,036	61,552
Fees and commission received for guarantee	65,254	65,779
Fees and commission received on credit card	598,705	1,072,423
Fees and commission received on securities business	96,379	80,872
Fees and commission from trust management	177,456	141,766
Fees and commission received on credit Information	12,985	11,737
Other fees	146,689	136,176
Total	1,680,764	2,069,198

(2) Details of fees and commissions expense incurred are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2018	2017
Fees and commissions paid	174,669	164,834
Credit card commission	428,613	828,363
Brokerage commission	1,833	558
Others	5,675	4,977
Total	<u>610,790</u>	<u>998,732</u>

36. DIVIDEND INCOME

(1) Details of dividend income recognized are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2018	2017
Financial assets at FVTPL (K-IFRS 1109)	67,892	-
Financial assets at FVTPL (K-IFRS 1039)	-	446
Financial assets at FVTOCI	22,660	-
AFS financial assets	-	124,546
Total	<u>90,552</u>	<u>124,992</u>

(2) Details of dividends related to financial assets at FVTOCI are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2018
Dividend income recognized from assets held	
Equity securities	22,386
Dividend income recognized in assets derecognized	274
Total	<u>22,660</u>

37. NET GAIN OR LOSS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS MANDATORILY MEASURED AT FAIR VALUE (K-IFRS 1109 AND 1039)

(1) Details of gain or loss related to net gain or loss on financial instruments at FVTPL (K-IFRS 1109 and 1039) are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2018	2017
Gain on financial instruments at fair value through profit or loss mandatorily measured at fair value	196,959	-
Gain on financial instruments held for trading	-	6,123
Gain on financial instruments at fair value through profit or loss designated as upon initial recognition	17,484	-
Loss on financial instruments designated as at fair value through profit or loss	-	(110,950)
Total	<u>214,443</u>	<u>(104,827)</u>

- (2) Details of net gain or loss on financial instruments at fair value through profit or loss mandatorily measured at fair value and financial instruments held for trading are as follows (Unit: Korean Won in millions):

			For the years ended December 31	
			2018	2017
Financial assets at FVTPL (financial assets held for trading)	Securities	Gain on valuation	137,237	2,764
		Gain on disposals	45,105	20,528
		Loss on valuation	(25,499)	(13,757)
		Loss on disposals	(26,728)	(6,466)
		Sub-total	130,115	3,069
	Loans	Gain on valuation	1,606	-
		Gain on disposals	4,136	-
		Loss on valuation	(4,805)	-
		Loss on disposals	(117)	-
		Sub-total	820	-
Other financial assets	Gain on valuation	2,050	6,524	
	Gain on disposals	530	2,353	
	Loss on valuation	(2,280)	(7,885)	
	Loss on disposals	(86)	(619)	
	Sub-total	214	373	
	Sub-total	131,149	3,442	
Derivatives (for trading)	Interest rate derivatives	Gain on transactions and valuation	1,255,581	1,088,192
		Loss on transactions and valuation	(1,303,244)	(1,043,312)
		Sub-total	(47,663)	44,880
	Currency derivatives	Gain on transactions and valuation	4,935,922	7,253,426
		Loss on transactions and valuation	(4,822,915)	(7,408,741)
		Sub-total	113,007	(155,315)
	Equity derivatives	Gain on transactions and valuation	486,560	511,220
		Loss on transactions and valuation	(484,986)	(397,462)
		Sub-total	1,574	113,758
	Other derivatives	Gain on transactions and valuation	4,138	4,056
		Loss on transactions and valuation	(5,246)	(4,698)
		Sub-total	(1,108)	(642)
	Sub-total	65,810	2,681	
	Total	196,959	6,123	

- (3) Details of net gain(loss) on financial instruments at fair value through profit or loss designated as upon initial recognition and Losses on financial instruments designated as at fair value through profit or loss are as follows (Unit: Korean Won in millions):

			For the years ended December 31	
			2018	2017
Gain(loss) on equity-linked securities:				
		Loss on disposal of equity-linked securities	(2,058)	(79,965)
		Gain(loss) on valuation of equity-linked securities	17,945	(32,511)
		Sub-total	15,887	(112,476)
Gain on other securities:				
		Gain on valuation of other securities	-	290
Gain on other financial instruments:				
		Gain on valuation of other financial instruments	1,597	1,236
		Total	17,484	(110,950)

38. NET GAIN OR LOSS ON FINANCIAL ASSETS AT FVTOCI AND AFS FINANCIAL ASSETS

Details of net gain or loss on financial assets at FVTOCI and AFS financial assets recognized are as follows
(Unit: Korean Won in millions):

	For the years ended December 31	
	2018	2017
Gain on redemption of securities	53	47
Gain on transactions of securities	1,994	223,961
Impairment loss on securities	-	(31,300)
Total	2,047	192,708

39. IMPAIRMENT REVERSAL(LOSS) DUE TO CREDIT LOSS

Impairment reversal (loss) due to credit loss are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2018	2017
Impairment loss due to credit loss on financial assets measured at FVTOCI	(2,027)	-
Impairment loss due to credit loss on securities at amortized cost	(1,922)	-
Reversal(provision) for credit loss on loan and other financial assets at amortized cost	(415,084)	-
Impairment loss due to credit loss	-	(862,273)
Reversal of provision on guarantee	105,985	55,424
Reversal of provision on (provision for) unused loan commitment	(16,526)	21,716
Total	(329,574)	(785,133)

40. GENERAL AND ADMINISTRATIVE EXPENSES AND OTHER NET OPERATING INCOME (EXPENSES)

(1) Details of general and administrative expenses recognized are as follows (Unit: Korean Won in millions):

			For the years ended December 31	
			2018	2017
Salaries	Short-term employee benefits	Salaries	1,484,236	1,317,826
		Employee benefits	468,012	559,562
		Retirement benefit service costs	145,149	146,848
		Termination	225,106	299,562
Sub-total		2,322,503	2,323,798	
Depreciation and amortization		216,735	183,601	
Other general and administrative expenses	Rent		321,198	313,080
	Taxes and public dues		115,454	111,248
	Service charges		222,530	198,828
	Computer and IT related		88,689	70,936
	Telephone and communication		70,618	65,015
	Operating promotion		43,540	43,850
	Advertising		72,450	68,942
	Printing		8,601	8,633
	Traveling		12,757	13,064
	Supplies		7,071	6,795
	Insurance premium		8,355	8,548
	Reimbursement		23,474	27,516
	Maintenance		17,384	16,081
	Water, light and heating		14,686	14,165
	Vehicle maintenance		10,264	9,902
	Others		47,724	46,799
Sub-total		1,084,795	1,023,402	
Total		3,624,033	3,530,801	

(2) Details of other operating income recognized are as follows (Unit: Korean Won in millions):

			For the years ended December 31	
			2018	2017
Gain on transactions of foreign exchange			1,227,561	3,391,095
Gain on disposals of loans and receivables (*1)			-	205,490
Gain related to derivatives(Designated for hedging)			35,810	122
Gain on fair value hedged items			42,797	53,532
Others (*2)			82,417	86,159
Total			1,388,585	3,736,398

(*1) Gain (loss) on disposal of loan and receivables occurred during the year ended December 31, 2018 was presented as a separate account named 'Net gain related to financial assets at amortized cost' in accordance with the adoption of K-IFRS 1109.

(*2) Other income includes income amounting to 29,316 million Won and 29,336 million Won, for the years ended December 31, 2018 and 2017, 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) Details of other operating expenses recognized are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2018	2017
Losses on transactions of foreign exchange	991,423	2,886,535
KDIC deposit insurance premium	315,315	304,055
Contribution to miscellaneous funds	298,416	286,000
Losses on disposals of loans and receivables(*1)	-	9,221
Losses related to derivatives (Designated for hedging)	36,483	109,569
Losses on fair value hedged items	17,299	-
Others (*2)	124,240	172,331
Total	1,783,176	3,767,711

(*1) Loss on disposal of loan and receivables occurred during the year ended December 31, 2018 was presented as a separate account named 'Net gain related to financial assets at amortized cost' in accordance with the adoption of K-IFRS 1109.

(*2) Other expense includes such expenses amounting to 1,594 million Won and 5,237 million Won for the years ended December 31, 2018 and 2017, respectively, which are related to the Group's expected payments to other creditor financial institutions in accordance with the creditor financial institutions committee agreement. In addition, it includes 51,770 million Won and 48,292 million Won, respectively, of intangible asset amortization expense.

41. OTHER NON-OPERATING INCOME (EXPENSES)

(1) Details of gains or losses on valuation of investments in joint ventures and associates are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2018	2017
Gains on valuation of investments in joint ventures and associates	25,791	83,506
Losses on valuation of investments in joint ventures and associates	(22,595)	(70,117)
Impairment losses of investments in joint ventures and associates	(177)	(114,903)
Total	3,019	(101,514)

(2) Details of other non-operating income and expenses recognized are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2018	2017
Other non-operating incomes	129,709	84,361
Other non-operating expenses	(87,157)	(190,083)
Total	42,552	(105,722)

(3) Details of other non-operating income recognized are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2018	2017
Rental fee income	6,835	6,973
Gains on disposal of investments in joint ventures and associates	50,511	39,932
Gains on disposal of premises and equipment, intangible assets and other assets	30,278	5,028
Reversal of impairment loss of premises and equipment, intangible assets and other assets	761	666
Others	41,324	31,762
Total	129,709	84,361

(4) Details of other non-operating expenses recognized are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2018	2017
Depreciation on investment properties	4,045	3,902
Interest expenses of refundable deposits	620	459
Losses on disposal of investment in joint ventures and associates	2,931	38,713
Losses on disposal of premises and equipment, intangible assets and other assets	1,160	9,994
Impairment losses of premises and equipment, intangible assets and other assets	87	390
Donation	51,983	98,132
Others	26,331	38,493
Total	87,157	190,083

42. INCOME TAX EXPENSE

(1) Details of income tax expenses are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2018	2017
Current tax expense:		
Current tax expense with respect to the current period	432,645	471,669
Adjustments recognized in the current period in relation to the tax expense of prior periods	5,923	(5,209)
Sub-total	438,568	466,460
Deferred tax expense(income):		
Changes in deferred tax assets (liabilities) relating to the temporary differences	314,655	(47,042)
Income tax expense	753,223	419,418

(2) Income tax expense reconciled to net income before income tax expense is as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2018	2017
Net income before income tax expense	2,804,872	1,949,506
Tax calculated at statutory tax rate (*)	760,978	471,318
Adjustments:		
Effect of income that is exempt from taxation	(49,418)	(55,983)
Effect of expenses that are not deductible in determining taxable income	18,639	22,254
Adjustments recognized in the current period in relation to the current tax of prior periods	5,923	(5,209)
Others	17,101	(12,962)
Sub-total	(7,755)	(51,900)
Income tax expense	753,223	419,418
Effective tax rate	26.9%	21.5%

(*) The applicable income tax rate: 1) 11% for taxable income below 200 million Won, 2) 22% for above 200 million Won and below 20 billion Won, 3) 24.2% for above 20 billion Won and below 300 billion Won, 4) 27.5% for above 300 billion Won.

(3) Changes in cumulative temporary differences for the years ended December 31, 2018 and 2017, are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2018							
	Beginning balance	K-IFRS 1109 adoption effect		Beginning balance after K-IFRS 1109 adoption	Business combination	Recognized as income (expense)	Recognized as other comprehensive income (expense)(*2)	Ending Balance(*3)
Recognized as retained earnings		Recognized as other comprehensive income (loss)						
Gain (loss) on financial assets	479,065	(150,140)	149,796	478,721	-	(102,170)	(4,205)	372,346
Gain on valuation using the equity method of accounting	24,482	-	-	24,482	-	3,203	669	28,354
Gain (loss) on valuation of derivatives	(10,260)	(3,990)	-	(14,250)	-	(13,617)	360	(27,507)
Accrued income	(60,987)	-	-	(60,987)	621	4,520	-	(55,846)
Provision for loan losses	(47,697)	47,446	-	(251)	399	(52,493)	-	(52,345)
Loan and receivables written off	9,777	-	-	9,777	-	(3,105)	-	6,672
Loan origination costs and fees	(137,320)	36	-	(137,284)	-	(17,147)	-	(154,431)
Defined benefit liability	284,234	-	-	284,234	317	43,821	31,715	360,087
Deposits with employee retirement insurance trust	(287,333)	-	-	(287,333)	-	(31,092)	95	(318,330)
Provision for guarantee	30,602	1,370	-	31,972	-	(20,598)	-	11,374
Other provision	45,153	25,879	-	71,032	-	4,162	-	75,194
Others(*1)	(72,265)	4,917	-	(67,348)	44	(130,137)	(6,642)	(204,083)
Net deferred tax assets	257,451	(74,482)	149,796	332,765	1,381	(314,653)	21,992	41,485

(*1) Among the deferred tax assets and liabilities classified as 'Others,' the deferred tax asset arising from unused tax losses amounts to 18,154 million Won.

(*2) Includes 1,429 million Won presented on non-controlling interests.

(*3) Includes 9,778 million Won presented on assets held for distribution (sale) (Note 17).

For the year ended December 31, 2017				
	Beginning balance	Recognized as income (expense)	Recognized as other comprehensive income (expense)	Ending balance
Gain (loss) on financial assets	407,128	72,945	(1,008)	479,065
Gain on valuation using the equity method of accounting	32,859	(6,473)	(1,904)	24,482
Gain (loss) on valuation of derivatives	(43,818)	33,806	(248)	(10,260)
Accrued income	(69,959)	8,972	-	(60,987)
Provision for loan losses	(46,811)	(886)	-	(47,697)
Loan and receivables written off	53,915	(44,138)	-	9,777
Loan origination costs and fees	(108,102)	(29,218)	-	(137,320)
Defined benefit liability	225,045	54,533	4,656	284,234
Deposits with employee retirement insurance trust	(226,321)	(61,012)	-	(287,333)
Provision for guarantee	41,138	(10,536)	-	30,602
Other provision	32,392	12,761	-	45,153
Others(*)	(87,479)	16,289	(1,075)	(72,265)
Net deferred tax assets	209,987	47,043	421	257,451

(*) Among the deferred tax assets and liabilities classified as 'Others,' the deferred tax asset arising from unused tax losses amounts to 15,652 million Won.

(4) Unrealizable temporary differences are as follows (Unit: Korean Won in millions):

	December 31, 2018	December 31, 2017
Deductible temporary differences	272,911	126,818
Tax loss carry forward	149,035	96,135
Taxable temporary differences	(868,541)	(1,298,586)
Total	(446,595)	(1,075,633)

No deferred income tax asset has been recognized for the deductible temporary difference of KRW 227,144 million associated with investments in subsidiaries and associates as of December 31, 2018, because it is not probable that the temporary differences will be reversed in the foreseeable future. KRW 45,767 million associated with others, respectively, as of December 31, 2018, due to the uncertainty that these will be realized in the future.

No deferred income tax liability has been recognized for the taxable temporary difference of KRW 866,294 million associated with investment in subsidiaries and associates as of December 31, 2018, due to the following reasons:

- The Group is able to control the timing of the reversal of the temporary difference.
- It is probable that the temporary difference will not be reversed in the foreseeable future.

KRW 2,247 million associated with others are not recognized as deferred tax liabilities as it is not probable that the associated temporary differences will be reversed in the foreseeable future.

As of December 31, 2018, the expected extinctive date of tax loss carry forward that are not recognized as deferred tax assets are as follows (Unit: Korean Won in millions):

	1 year or less	1 – 2 years	2 – 3 years	More than 3 years
Tax loss carry forward	-	-	-	149,035

- (5) Details of accumulated deferred tax charged directly to other equity are as follows (Unit: Korean Won in millions):

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Net gain on valuation of financial assets at FVTOCI	31,422	-
Loss on valuation of AFS securities		(114,169)
Share of other comprehensive loss of and associates	(285)	(954)
Gain on foreign currency translation of foreign operations	8,183	15,855
Remeasurements of the net defined benefit liability	88,127	56,317
Gain (loss) on derivatives designated as cash flow hedge	1,140	(248)
Total	<u>128,587</u>	<u>(43,199)</u>

- (6) Current tax assets and liabilities are as follows (Unit: Korean Won in millions)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current tax assets	20,488	4,722
Current tax liabilities	156,559	232,600

43. EARNINGS PER SHARE (“EPS”)

Basic EPS is calculated by dividing net income attributable to common shareholders 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>2018</u>	<u>2017</u>
Net income attributable to Owners	2,033,182	1,512,148
Dividends to hybrid securities	(151,194)	(167,072)
Net income attributable to Common shareholders	1,881,988	1,345,076
Weighted-average number of common shares outstanding	673 million shares	673 million shares
Basic EPS (Unit: Korean Won)	2,796	1,999

Diluted EPS is equal to basic EPS because there is no dilution effect for the years ended December 31, 2018 and 2017.

44. CONTINGENT LIABILITIES AND COMMITMENTS

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

	December 31, 2018	December 31, 2017
Confirmed guarantees		
Guarantee for loans	125,870	157,299
Acceptances	371,525	320,519
Guarantees in acceptances of imported goods	158,179	108,238
Other confirmed guarantees	6,452,791	6,288,965
Sub-total	<u>7,108,365</u>	<u>6,875,021</u>
Unconfirmed guarantees		
Local letters of credit	305,057	383,117
Letters of credit	3,322,731	3,637,787
Other unconfirmed guarantees	669,677	505,689
Sub-total	<u>4,297,465</u>	<u>4,526,593</u>
Commercial paper purchase commitments and others	<u>1,260,587</u>	<u>1,458,101</u>
Total	<u>12,666,417</u>	<u>12,859,715</u>

(2) Details of unused loan commitments and others are as follows (Unit: Korean Won in millions):

	December 31, 2018	December 31, 2017
Loan commitments	97,796,704	80,760,325
Other commitments	5,041,314	4,546,090

(3) Litigation case

Legal cases where the Group is involved are as follows (Unit: Korean Won in millions):

	December 31, 2018		December 31, 2017	
	As plaintiff	As defendant	As plaintiff	As defendant
Number of cases (*)	77 cases	154 cases	83 cases	155 cases
Amount of litigation	494,645	246,826	413,267	244,767
Provisions for litigations		17,925		9,277

(*) The number of lawsuits as of December 31, 2018 and 2017 does not include fraud lawsuits, etc. and those lawsuits that are filed only to extend the statute of limitation.

45. RELATED PARTY TRANSACTIONS

Related parties of the Group as of December 31, 2018 and 2017, and assets and liabilities recognized, guarantees and commitments, major transactions with related parties and compensation to key management for the years ended December 31, 2018 and 2017 are as follows:

(1) Related parties

	Related parties
Associates	Woori Service Networks Co., Ltd., Korea Credit Bureau Co., Ltd., Korea Finance Security Co., Ltd., Chin Hung International Inc., 2016KIF-IMM Woori Bank Technology Venture Fund, K BANK Co., Ltd., Well to Sea No. 3 Private Equity Fund, and Others (Dongwoo C & C Co., Ltd. and other 28 associates)

(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, 2018	December 31, 2017
Associates	Kumho Tire Co., Inc.(*1)	Loans	-	170,917
		Loss allowance	-	(156,712)
		Deposits due to customers	-	666
		Other liabilities	-	50
	Woori Service Networks Co., Ltd.	Loans	69	45
		Deposits due to customers	1,967	1,311
		Other liabilities	333	357
	Korea Credit Bureau Co., Ltd.	Loans	7	6
		Deposits due to customers	6,494	5,586
		Other liabilities	19	54
	Korea Finance Security Co., Ltd.	Loans	57	56
		Loss allowance	(4)	-
		Deposits due to customers	5,040	2,854
		Other liabilities	10	7
	Chin Hung International Inc.	Loans	411	408
		Loss allowance	(204)	(22)
		Deposits due to customers	11,605	46,220
		Other liabilities	2,974	1,658
	Poonglim Industrial Co., Ltd.(*2)	Deposits due to customers	-	4
	STX Engine Co., Ltd.(*3)	Loans	-	106,176
Loss allowance		-	(88,734)	
Deposits due to customers		-	18,092	
Other liabilities		-	29	
STX Corporation(*3)	Loans	-	47,711	
	Loss allowance	-	(31,210)	
	Deposits due to customers	-	77,555	
	Other liabilities	-	80	
K BANK Co., Ltd.	Loans	190	212	
Well to Sea No.3 Private Equity Fund	Loans	1,857	73,810	
	Loss allowance	(9)	(39)	
	Deposits due to customers	356	61	
	Other liabilities	64	27	
Others (*4)	Loans	4,783	499	
	Loss allowance	(324)	(471)	
	Other assets	9	1	
	Deposits due to customers	8,049	2,906	
	Other liabilities	165	73	

(*1) The Group lost significant influence over the entity due to the termination of the joint management procedures of the creditors' financial institution during the year December 31, 2018, and thus the entity was excluded from the list of associates.

(*2) The Group lost significant influence over the entity due to the stock consolidation and the capital increase of the associate during the year ended December 31, 2018, and thus the entity was excluded from the list of associates.

(*3) The shares of the entity were sold after it was transferred to assets held for distribution (sale) during the years ended December 31, 2018 and thus was excluded from the list of associates.

(*4) Others include Saman Corporation, Kyesan Engineering Co., Ltd., DAEA SNC Co., Ltd., etc., as of December 31, 2018 and 2017.

(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	
			2018	2017
Corporation that has significant influence over the Group	KDIC(*1)	Interest expenses	-	15,331
Associates	Kumho Tire Co., Inc. (* 2)	Interest income	1,098	2,641
		Fees income	-	5
		Interest expenses	-	1
		Impairment losses due to credit loss (reversal of allowance for credit loss)	(156,712)	155,997
	Woori Blackstone Korea Opportunity Private Equity Fund No.1 (*3)	Fees income	-	6,225
	Woori Service Networks Co., Ltd.	Other income	30	30
		Interest expenses	14	24
		Fees expenses	561	543
		Other expenses	580	507
	Korea Credit Bureau Co., Ltd.	Interest expenses	62	82
		Fees expenses	2,310	2,079
	Korea Finance Security Co., Ltd.	Interest expenses	12	12
		Impairment losses due to credit loss	4	-
		Other expenses	146	-
	Chin Hung International Inc.	Interest income	-	364
		Fees income	-	1
		Interest expenses	43	27
		Impairment losses due to credit loss (reversal of allowance for credit loss)	182	(4,265)
	STX Engine Co., Ltd. (*4)	Interest income	333	1,417
		Fees income	-	28
		Interest expenses	86	147
		Reversal of allowance for credit loss	(88,734)	(797)
	Samho International Co., Ltd.(*5)	Interest income	-	486
		Fees income	-	5
		Interest expenses	-	334
		Reversal of allowance for credit loss	-	(717)
	STX Corporation(*4)	Interest income	-	219
		Fees income	-	30
		Interest expenses	2	4
		Reversal of allowance for credit loss	(31,210)	(61,432)
	Woori Columbus 1st Private Equity Fund(*3)	Fees income	-	272

	Related party	A title of account	For the years ended December 31	
			2018	2017
Associates	K BANK Co., Ltd.	Fees income	1,134	-
		Other income	19	1,051
	Well to Sea No.3 Private Equity Fund (*6)	Interest income	2,179	982
		Interest expenses	9	4
		Impairment losses due to credit loss (reversal of allowance for credit loss)	(30)	39
		Others (*7)		
	Others (*7)	Interest income	233	-
		Fees income	23	-
		Other income	14	-
		Interest expenses	40	13
		Impairment losses due to credit loss (reversal of allowance for credit loss)	(147)	218

(*1) As its ownership interest in the Group is lower than 20% as of December 31, 2017, it has been excluded from the 'corporation that have significant influence over the Group' category.

(*2) The Group lost significant influence over the entity due to the termination of the joint management procedures of the creditors' financial institution during the year ended December 31, 2018, and thus the entity was excluded from the list of associates.

(*3) The entity is excluded from the list of associates due to its liquidation for the year ended December 31, 2017.

(*4) The shares of the entity were sold after it was transferred to assets held for distribution (sale) during the years ended December 31, 2018 and thus was excluded from the list of associates.

(*5) The shares of the entity were sold after it was transferred to assets held for distribution (sale) during the year ended December 31, 2017 and thus was excluded from the list of associates.

(*6) Due to capital contribution for the year ended December 31, 2017, the entity has been included in the list of associates.

(*7) Others include the amount transacted with Saman Corporation, Kyesan Engineering Co., Ltd., DAEA SNC Co., Ltd., etc., for the years ended December 31, 2018 and 2017.

(4) Major loan transactions with related parties for the years ended December 31, 2018 and 2017 are as follows (Unit: Korean Won in millions):

		For the year ended December 31, 2018				
Related parties		Beginning balance	Loan	Collection	Others	Ending balance(*1)
Associates	Kumho Tire Co., Inc.(*2)	57,470	-	7,057	(50,413)	-
	Well to Sea No. 3 Private Equity Fund (*3)	73,810	16,857	88,810	-	1,857
	STX Engine Co., Ltd. (*4)	39,886	-	2,177	(37,709)	-
		For the year ended December 31, 2017				
Related parties		Beginning balance	Loan	Collection	Others	Ending balance(*1)
Associates	Kumho Tire Co., Inc.(*2)	50,413	7,057	-	-	57,470
	Well to Sea No. 3 Private Equity Fund (*3)	-	83,810	10,000	-	73,810
	STX Engine Co., Ltd. (*4)	44,797	2,177	7,088	-	39,886

(*1) Settlement payment from normal operation among the related parties were excluded, and in the case of a limited loan, it was presented as a net increase or decrease.

(*2) The Group lost significant influence over the entity due to the termination of the joint management procedures of the creditors' financial institution during the year ended December 31, 2018, and thus the entity was excluded from the list of associates.

(*3) Due to capital contribution, the entity was included in the list of associates during the year ended December 31, 2017.

(*4) The shares of the entity were sold after it was transferred to assets held for distribution (sale) during the year ended December 31, 2018 and thus was excluded from the list of associates.

(5) There are no major borrowing transactions with related parties for the years ended December 31, 2018 and 2017.

(6) Guarantees provided to the related parties are as follows (Unit: Korean Won in millions):

	December 31, 2018	December 31, 2017	Warranty
Kumho Tire Co., Inc.(*1)	-	4,181	Import credit in foreign currencies and others
	-	636	Unused loan commitment
Korea Finance Security Co., Ltd.	203	204	Unused loan commitment
Korea Credit Bureau Co., Ltd.	28	29	Unused loan commitment
Woori Service Networks Co., Ltd.	131	155	Unused loan commitment
Chin Hung International Inc.	32,058	31,891	Unused loan commitment
STX Engine Co., Ltd.(*2)	-	68,858	Import credit in foreign currencies and others
STX corporation (*2)	-	17,557	Import credit in foreign currencies and others
	-	53	Unused loan commitment
K BANK Co., Ltd.	15	-	Unused loan commitment
Well to Sea No.3 Private Equity Fund	208,143	236,190	Unused loan commitment

(*1) The Group lost significant influence over the entity due to the termination of the joint management procedures of the creditors' financial institution during the year ended December 31, 2018, and thus the entity was excluded from the list of associates.

(*2) The shares of the entity were sold after it was transferred to assets held for distribution (sale) during the year ended December 31, 2018 and thus was excluded from the list of associates.

For the guarantee provided to the related parties, the amount the Group recognized as provisions for guarantees is nil and 71,459 million Won, as of December 31, 2018 and December 31, 2017, respectively.

(7) Compensation for key management is as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2018	2017
Short-term employee salaries	12,326	12,024
Retirement benefit service costs	489	472
Total	12,815	12,496

Key management includes registered executives and non-registered executives. Outstanding assets and liabilities from transactions with key management amount to 2,816 million Won and 6,096 million Won, respectively, as of December 31, 2018, and with respect to the assets, the Group has not recognized any allowance nor related impairment loss due to credit losses.

46. TRUST ACCOUNTS

(1) Trust accounts of the Bank are as follows (Unit: Korean Won in millions):

	Total assets		Operating income	
			For the years ended December 31	
	December 31, 2018	December 31, 2017	2018	2017
Trust accounts	53,560,071	43,895,511	1,049,105	1,029,501

(2) Receivables and payables between the Bank and trust accounts are as follows (Unit: Korean Won in millions):

	December 31, 2018	December 31, 2017
Receivables:		
Trust fees receivables	28,703	25,286
Payables:		
Deposits due to customers	574,330	585,832
Borrowings from trust accounts	3,020,371	2,711,529
Total	3,594,701	3,297,361

(3) Significant transactions between the Bank and trust accounts are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2018	2017
Revenue:		
Trust fees	177,913	141,999
Termination fees	5,885	1,565
Total	183,798	143,564
Expense:		
Interest expenses on deposits due to customers	7,813	17,768
Interest expenses on borrowings from trust accounts	38,873	31,956
Total	46,686	49,724

(4) Principal guaranteed trusts and principal and interest guaranteed trusts are as follows;

1) The carrying value of principal guaranteed trusts and principal and interest guaranteed trusts are as follows (Unit: Korean Won in millions):

	December 31, 2018	December 31, 2017
Principal guaranteed trusts		
Old-age pension trusts	3,564	4,058
Personal pension trusts	521,200	530,556
Pension trusts	819,102	791,920
Retirement trusts	42,187	50,035
New personal pension trusts	8,104	8,563
New old-age pension trusts	2,134	2,467
Sub-total	1,396,291	1,387,599
Principal and interest guaranteed trusts		
Development trusts	19	19
Unspecified money trusts	835	801
Sub-total	854	820
Total	1,397,145	1,388,419

- 2) The amounts that the Bank must pay by the operating results of the principal guaranteed trusts or the principal and interest guaranteed trusts are as follows (Unit: Korean Won in millions):

	December 31, 2018	December 31, 2017
Liabilities for the account (subsidy for trust account adjustment)	33	32

47. BUSINESS COMBINATION

The business combination occurred during the current period is as follows:

- (1) Acquisition of WB Finance Co., Ltd.

To expand Cambodia's retail business, the Group had acquired 100% ownership of Vision Fund Cambodia in June 2018 and the Group changed its name to WB Finance Co., Ltd.

The goodwill amounting to 46,752 million Won arising from the acquisition is based on the economic effect of combining the operation of the Group and its subsidiaries, and also from the customer base acquired.

- (2) Woori Bank Europe

The Group acquired approval from the Deutsche Bundesbank(Central bank of Germany) for the establishment of Woori Bank Europe(Capital amounting to 50 million Euros) on October 9, 2018. Woori Bank Europe started its operation on November 1, 2018.

- (3) Details of the accounting for the business combination are as follows (Unit: Korean Won in millions):

	WB Finance Co., Ltd	Woori Bank Europe	Total
Consideration transferred:			
Cash and cash equivalents	87,562	64,062	151,624
Identifiable assets and liabilities recognized:			
Cash and cash equivalents	16,657	-	16,657
Financial assets at FVTOCI	17	-	17
Loans and other financial assets at amortized cost(*)	205,451	64,062	269,513
Premises and equipment	1,630	-	1,630
Intangible assets	763	-	763
Current tax assets	173	-	173
Deferred tax assets	1,381	-	1,381
Other assets	1,510	-	1,510
Assets sub- total	<u>227,582</u>	<u>64,062</u>	<u>291,644</u>
Deposits due to customers	54,615	-	54,615
Borrowings	120,644	-	120,644
Other financial liabilities	6,149	-	6,149
Current tax liabilities	640	-	640
Other liabilities	4,724	-	4,724
Liabilities sub-total	<u>186,772</u>	<u>-</u>	<u>186,772</u>
Identifiable net fair value	40,810	64,062	104,872
Goodwill	<u>46,752</u>	<u>-</u>	<u>46,752</u>

- (*) The book value of loans and other financial assets at amortized cost is used as proxy for fair value since the difference between fair value and book value is not material. The total contractual amount of WB Finance is 208,623 million Won and the contractual cash flow that is not expected to be recovered is 3,182 million Won.

(4) Operating income and Net income of the Group

Assuming that the acquisition date is the date of the beginning of reporting period, the amounts to be added to the operating income and net income in the Group's statement of comprehensive income for the year ended December 31, 2018 are as follows: (Unit: Korean Won in millions):

	<u>WB Finance</u>
Operating income	44,545
Net income	4,511

48. EVENT AFTER THE REPORTING PERIOD

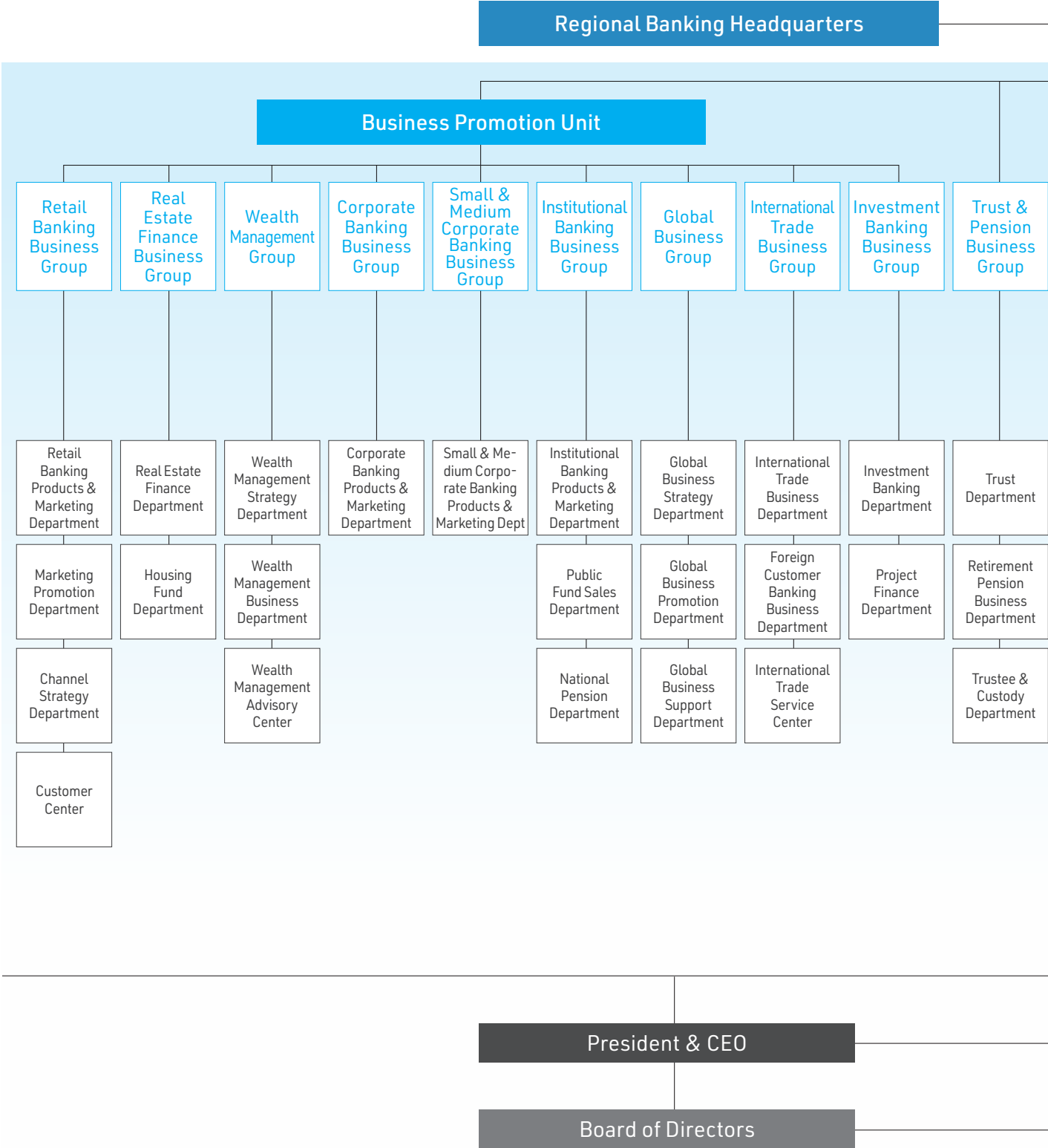
After the end of the reporting period, the financial holding company was established on January 11, 2019. In accordance with the established of financial holding company, six companies, Bank, Woori FIS Co., Ltd., Woori Finance Research Institute Co., Ltd., Woori Credit Information Co., Ltd., Woori Fund Service Co., Ltd., Woori Private Equity Asset Management Co., Ltd. became fully owned subsidiaries of the said financial holding company.

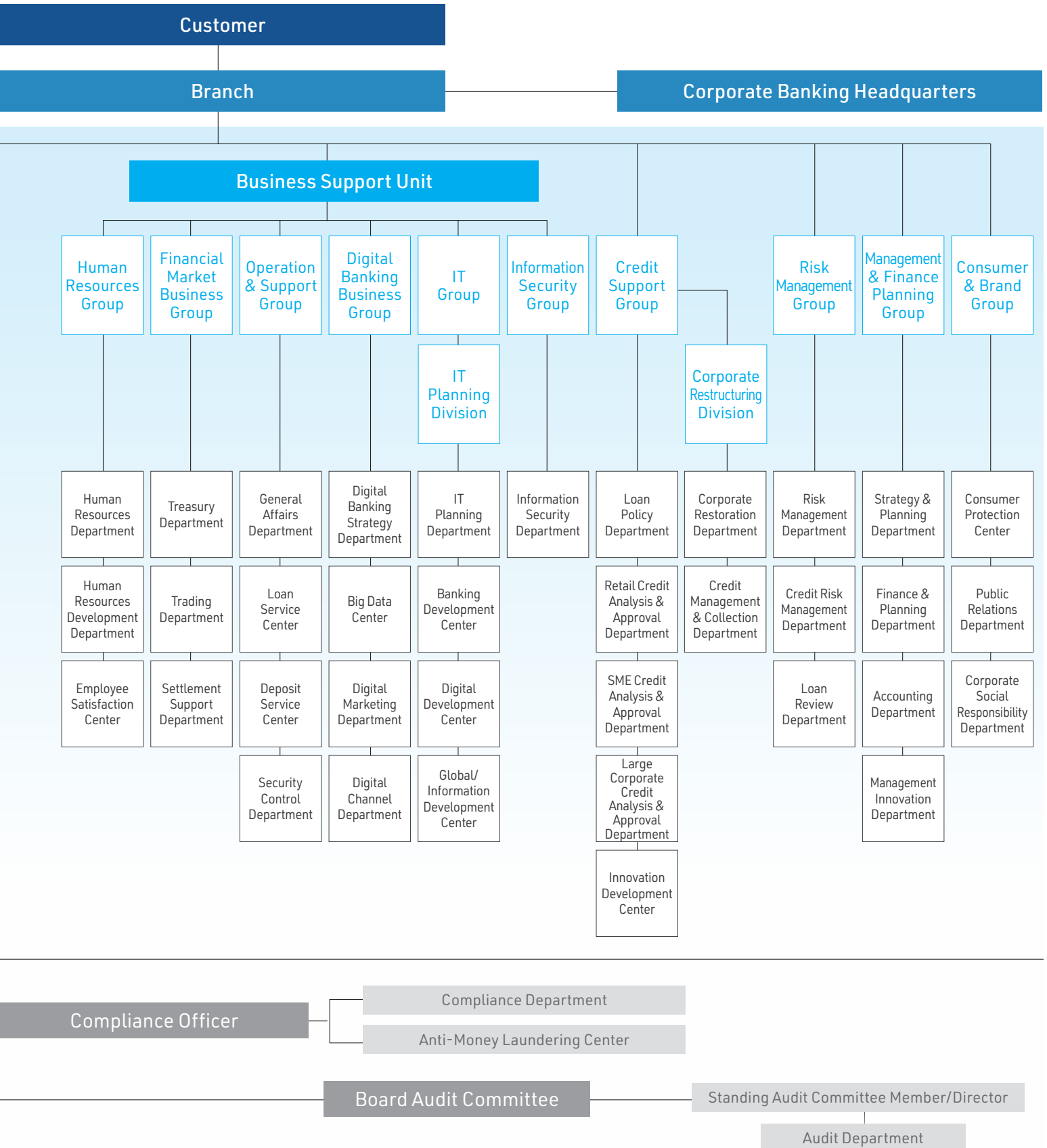
After the financial holding company is established, the shares of the Bank was delisted from the Korea Stock Exchange and New York Stock Exchange on January 11, 2019, and the shares of the newly established financial holding company was listed on February 13, 2019, both Korea Stock Exchange and New York Stock Exchange.

ORGANIZATIONAL CHART

2 Unit 20 Groups 2 Divisions 64 Departments (26 Apr. 2019)

WOORI BANK ANNUAL REPORT 2018 We Believe in Your Potential





GLOBAL NETWORK

HEAD OFFICE

51, Sogong-ro (203, Hoehyeon-dong 1-ga),
Jung-gu, Seoul, 100-792, Korea
Phone: +82-2-2002-3000
Swift: HVBKCRSE

OVERSEAS BRANCHES

New York Agency

245, Park Ave. 43rd Floor, New York, NY 10167, USA
Phone: 1-212-949-1900

LA Branch

3360, West Olympic Blvd. Suite 300, LA, CA90019, USA
Phone: 1-213-620-0747~8

London Branch

9th Floor, 71 Fenchurch Street, London, EC3M 4BR, UK
Phone: 44-207-680-0680

Tokyo Branch

Shiodome City Center 10th Floor, 5-2 Higashi-Shimbashi
1-Chome, Minato-ku, Tokyo, 105-7110 Japan
Phone: 81-3-6891-5600

Hong Kong Branch

Suite 1401, Two Pacific Place, 88 Queensway, HongKong
Phone: 852-2521-8016

Singapore Branch

10 Marina Boulevard #13-05 MBFC Tower 2, Singapore
018983
Phone: 65-6422-2000

Bahrain Branch

P.O. Box 1151, 4th Floor, Entrance 1, Manama Centre
Building, Manama, Bahrain
Phone: 973-17-223503

Dhaka Branch

Suvastu Imam Square (1st & 4th Fl.) 65 Gulshan Avenue,
Dhaka, Bangladesh
Phone: 880-2-5881-3270~3

DEPZ Customer Service Center

Dhaka Export Processing Zone (Old Area), Ganakbari, Ssvar,
Dhaka-1349, Bangladesh
Phone: 880-2778-8030

Woori Bank Chittangong Sub-Branch

World Trade Center Chittagong (2nd Floor) Plopt No. 102-
103, Agrabad Commercial Area, Chittagong, Bangladesh
Phone: 880-931-728221~4

Woori Bank Uttara Sub-Branch

Paradise Tower (Ground Floor) Plot 11, Sector 3, Uttara
Model Town, Uttara, Dhaka 1230, Bangladesh
Phone: 880-2896-2125~6

Woori Bank Mirpur Sub-Branch

Padma Bhaban (First Floor), 1/9 Mirpur Road Pallabi,
Mirpur-12, Dhaka-1216, Bangladesh
Phone: 880-2902-1061~2

Woori Bank, Narayanganj Branch

Adamjee Export Processing zone, Shiddhirganj,
Narayanganj-1431 Bangladesh
Phone: 880-2769-2031~34

Gaeseong Branch

(Temporary) B1, 51, Sogong-ro, Jung-gu, Seoul, Korea
Phone: (Temporary) 82-2-2002-5059~61

Sydney Branch

Suite 25.03, Level 25, 363 George Street Sydney NSW 2000
Australia
Phone: 61-2-8222-2200

Woori Bank Dubai Branch

1102A, Level 11, The Gate Building, East Wing, P.O. Box
506760, DIFC, Dubai, United Arab Emirates
Phone: 971-4-325-8365

REGIONAL HEADQUARTERS

Woori Bank India Regional Headquarters

Unit 601, 6th floor, Birla Centurion, Century Mills
Compound, Pandurang Budhkar Marg, Worli, Mumbai,
Maharashtra-400030, India
Phone: 91-22-6263-8100

Woori Bank Chennai Branch

Lotte India, 2nd Floor, No.4/169, Rajiv Gandhi Salai (OMR),
Kandhanchavadi, Perungudi Taluk, Chennai-600096, Tamil
Nadu, India
Phone: 91-44-3346-6900

Woori Bank Gurgaon Branch

1st Floor, Salcon Platina Building, MG Road, Sector-28,
Sikanderpur, Gurgaon-122001, Haryana, India
Phone: 91-12-4270-6703

Woori Bank Mumbai Branch

Unit 601, 6th floor, Birla Centurion, Century Mills
Compound, Pandurang Budhkar Marg, Worli, Mumbai,
Maharashtra-400030, India
Phone: 91-22-6263-8100

SUBSIDIARIES

UNITED STATES OF AMERICA

Woori America Bank

330 5th Avenue New York, NY 10001, USA
Phone: 1-212-244-3000

Woori America Bank, Manhattan Branch

330 5th Avenue New York, NY 10001, USA
Phone: 1-212-244-1500

Woori America Bank, Flushing Branch

136-88 39th Avenue Flushing New York, NY 11354, USA
Phone: 1-718-886-1988

Woori America Bank, Fort Lee Branch

2053 Lemoine Avenue Fort Lee, NJ 07024, USA
Phone: 1-201-363-9300

Woori America Bank, Woodside Branch

43-22 50th St. Woodside, NY 11377, USA
Phone: 1-718-429-1900

Woori America Bank, Ridgefield Branch

321 Broad Avenue #104 Ridgefield, NJ 07657, USA
Phone: 1-201-941-9999

Woori America Bank, Palisades Park Branch

225 Broad Avenue Palisades Park, NJ 07650, USA
Phone: 1-201-346-0055

Woori America Bank, Closter Branch

234 Closter Dock Road Closter, NJ 07624, USA
Phone: 1-201-784-7012

Woori America Bank, Elkins Park Branch

7300 Old York Rd Elkins Park, PA 19027, USA
Phone: 1-215-782-1100

Woori America Bank, Annandale Branch

Seoul Plaza 4231 Markeham St. Annandale, VA 22003, USA
Phone: 1-703-256-7633

Woori America Bank, Bayside Branch

215-10 Northern Blvd. Bayside, NY 11361, USA
Phone: 1-718-224-3800

Woori America Bank, Ellicott City Branch

100352 Baltimore National Pike Ellicott City, MD 21042, USA
Phone: 1-443-973-3690

Woori America Bank, Wilshire Branch

3540 Wilshire Blvd. Unit 104, Los Angeles, CA 90010, USA
Phone: 1-213-382-8700

Woori America Bank, Olympic Branch

3360, West Olympic Blvd. Suite #300, LA, CA90019, USA
Phone: 1-213-738-1100

Woori America Bank, Fullerton Branch

5731 Beach Blvd., Buena Park, CA 90621, USA
Phone: 1-714-521-3100

Woori America Bank, Garden Grove Branch

10120 Garden Grove Blvd. Suite 151 Garden Grove, CA 92844,
USA
Phone: 1-714-534-6300

Woori America Bank, Centreville Branch

13832 Braddock Road. Centreville, VA 20121, USA
Phone: 1-703-988-9555

Woori America Bank, Irvine Branch

14252 Culver Dr. #G, Irvine, CA 92604, USA
Phone: 1-949-885-3760

Woori America Bank, Torrance Branch

2390 Crenshaw Boulevard, Units C Torrance CA 90501, USA
Phone: 1-310-974-1880

Woori America Bank, Georgia LPO

2472 Pleasant Hill Rd. Duluth, GA 30096, USA
Phone: 1-404-904-9880

Woori America Bank, San Jose LPO

2328 Walsh Ave, Santa Clara CA 95051 USA
Phone: 1-415-652-9476

Woori America Bank, Northern

164-25 Northern Blvd. Flushing NY 11358, USA
Phone: 1-929-362-3330

Woori America Bank, Dallas LPO

1028 MacArthur Dr. Suite #108, Carrollton, TX, 75007, USA
Phone: 1-972-810-0166

Woori America Bank, Chicago LPO

1247 Milwaukee Ave, Suite 207, Glenview, Illinois, 60025, USA
Phone: 1-224-938-9553

Woori America Bank, Seattle LPO

19401 40th Avenue West, Lynnwood, Washington, 98504, USA
Phone: 1-206-948-6691

CHINA

Woori Bank (China) Ltd.

Floor 11-12, Block A Building 13, District4, Wangjing East Park, Chaoyang District Beijing China 100102
Phone: 86-10-8412-3000

Woori Bank (China) Ltd. Head office business department

Floor1 Block B Building 13 District4 Wangjing East Park Chaoyang District Beijing China 100102
Phone: 86-10-8441-7771

Woori Bank (China) Ltd. Beijing Branch

1F, West Tower, Twin Towers, B-12 Jianguomenwai Avenue, Chaoyang District, Beijing 100022, China
Phone: 86-10-8453-8880

Woori Bank (China) Ltd. Shanghai Branch

104B,502, Dongfangchunyi Building 1, 5F, Eshan Avenue 505 Pudong New Area, Shanghai, 200122, China
Phone: 86-21-5081-0707

Woori Bank (China) Ltd. Shenzhen Branch

B0105-B0210 Rongchao Landmark, 4028 Jintian Road, Futian District, Shenzhen, China
Phone: 86-755-3338-1234

Woori Bank (China) Ltd. Suzhou Branch

6F Building #58 Suzhou Center, Suxiu Road, Suzhou Industrial Park, Jiangsu, China
Phone: 86-512-6295-0777

Woori Bank (China) Ltd. TianJin Branch

NO.1 Building, Aocheng Commercial Square, Binshui West Road, Nankai District, Tianjin, 300381 China
Phone: 86-22-2338-8008

Woori Bank (China) Ltd. Shanghai Puxi Sub-Branch

1F, Maxdo Center, NO.8 Xingyi Road, Changning District, Shanghai, 200336, China
Phone: 86-21-5208-1000

Woori Bank (China) Ltd. Beijing Wangjing Sub-Branch

1F, No.10, Furong Street, Chaoyang District, Beijing 100102, China
Phone: 86-10-8471-8866

Woori Bank (China) Ltd. Shanghai Wuzhonglu Sub-Branch

1C, Liaoshen Building, 1068 Wuzhong Road, Minhang District, Shanghai, 201103, China
Phone: 86-21-6446-7887

Woori Bank (China) Ltd. Shenzhen Futian Sub-Branch

Room 107, Daqing Building, NO.6027 Shennan Road, Futian District, Shenzhen 518040, China
Phone: 86-21-6446-7887

Woori Bank (China) Ltd. Shanghai Jinxiujianguan Sub-Branch

No.101-1, 102 MT BLDG, 3999 Hongxin Road, Minhang District, Shanghai, China, 201101
Phone: 86-21-3432-1116

Woori Bank (China) Ltd. Beijing Shunyi Sub-Branch

1F, Tower A, AMB Building, 2 Cangshang Street, Shunyi District 101300, China
Phone: 86-10-8945-2220

Woori Bank (China) Ltd. DaLian Branch

2F-218, Yoma IFC, NO.128 Jinma Road, Dalian Development Area, Dalian, P.R. China, 116600
Phone: 86-411-8765-8000

Woori Bank (China) Ltd. Zhangjiagang Sub-Branch

B104/B205 Huachang Oriental Plaza, 11 Renmin East Road, Zhangjiagang Jiangsu, 215600, China
Phone: 86-512-5636-6696

Woori Bank (China) Ltd. Chengdu Branch

No.302-306, 3F, Ping'an Fortune Center, No.1, Renmin South Road(Section 3), Chengdu, Sichuan, China, 610041
Phone: 86-512-028-6557-2336

Woori Bank (China) Ltd. Weihai Branch

No.106-1, No.106-2, No.106-3 Attached Qingdao Mid-Road, Weihai, Shandong Province, China
Phone: 86-631-599-6000

Woori Bank (China) Ltd. Tianjin Dongmalu Sub-Branch

1-2F, No. 4 of TowerC, Yuding Plaza, Qixiang Street), Dongma Road, Nankai District, Tianjin, 300090, China
Phone: 86-22-8776-9000

Woori Bank (China) Ltd. Chongqing Branch

No. 25, Jiangbei street, Jiangbei District, Jiangbei District, Chongqing, No. 2 (Ping An Fortune Center), L2-1, 1 unit.
Phone: 86-23-6152-2222

Woori Bank (China) Ltd. Shanghai Lianyang Sub-Branch

No.52, Zenda Thumb Plaza Lane 199, FangDian Road, Pudong New District, Shanghai, 200135, China
Phone: 86-21-6882-0608

Woori Bank (China) Ltd. Beijing Sanyuanqiao Sub-Branch

1-2F, Tower A, Tianyuangang Center, C2, North Road, East Third Ring Road, Chaoyang District, Beijing 100027, China
Phone: 86-10-8440-7177

Woori Bank (China) Ltd. Shenyang Branch

1F, 2F, Lotte North-Station Arcade, 9-8 Beiling Street, Huanggu District, Shenyang, Liaoning 110032, China
Phone: 86-24-8186-0808

INDONESIA

Bank Woori Saudara Head Office

Treasury Tower 26th, 27th FL. District 8 SCBD Lot 28 Jl. Jend. Sudirman Kav. 52-53, Jakarta 12190, Indonesia
Phone: 6221-50871906

Corporate Branch

Treasury Tower 26th, 27th FL. District 8 SCBD Lot 28 Jl. Jend. Sudirman Kav. 52-53, Jakarta 12190, Indonesia
Phone: 6221-50871888

Wastukencana Branch

Jl Wastukencana No. 79 - Kota. Bandung, Indonesia
Phone: 6222-4209940

Cirebon Branch

Komplek Cirebon Super Blok (CSB) Mall Office Park Kav. No. 11 Jl. Cipto, Indonesia
Phone: 62231-242006

Bogor Branch

Jl. Pangkalan Raya No. 8, Warung Jambu - Bogor/16151, Indonesia
Phone: 62251-8377887

Surapati Core Branch

Komp Surapati Core F-01-02 Bandung, Indonesia
Phone: 6222-87241326

Surabaya Branch

Kompleks Ruko 21, Jl. Raya, Gubeng No.68 E - Surabaya/60281, Indonesia
Phone: 6231-5041906

Semarang Branch

Ruko Imam Bonjol Square Kav 4 - Kota. Semarang, Indonesia
Phone: 6224-3521906

Tasikmalaya Branch

Ruko Plaza Asia Blok A5-A6, Jl. HZ. Mustofa No. 326 - Tasikmalaya/46126, Indonesia
Phone: 62265-2351906

Yogyakarta Branch

Jl. Mangkubumi No. 45 - Yogyakarta/55232, Indonesia
Phone: 62274-549280

Denpasar Branch

Ruko Griya Alamanda blok 3-4, Jl. Cok Agung Tresna Renon - Denpasar/80235, Indonesia
Phone: 62361-263755

The Gedung Energy Branch

Gd The Energy Lot 11 A SCBD, Jl. Jendral Sudirman Kav 52 - 53, Jakarta/12190, Indonesia
Phone: 6221-29951906

Ampera Branch

Jl. Ampera Raya No. 20 Gd. Medco III/12560, Indonesia
Phone: 6221-7821756

Purwokerto Branch

Jl. Jenderal gatot Subroto No.78 Purwokerto - Jawa Tengah/53116, Indonesia
Phone: 62281-622212

Malang Branch

Jl. Letjen Sutoyo No. 27 Malang- Jawa Timur/65141, Indonesia
Phone: 62341-421906

Solo Branch

Jl. Ronggo Warsito No. 53 Kota, Solo - Jawa Tengah/57131, Indonesia
Phone: 62271-633600

Tangerang city Branch

Tangerang City Business park Blok F/50 Jl. Jend. Sudirman No.1 Tangerang/15118, Indonesia
Phone: 6221-29529226

Pelembang Branch

Jl. Basuki Rahmat No. 886 A - Palembang/30127, Indonesia
Phone: 62711-315828

Sukabumi Branch

Jl. Jenderal Sudirman No. 31-Sukabumi/43111, Indonesia
Phone: 62266-6251906

Pekalongan Branch

Jl. KH. Mansyur No.64, Perkalongan, Indonesia
Phone: 62-285-4460505

Madiun Branch

Jl. Diponegoro No. 110, Madiun, Indonesia
Phone: 62-351-4773000

Jember Branch

Jl. Gajah Mada No. Ruko Gajah Mada Square Block A2-3, Indonesia
Phone: 62-331-421648

Kediri Branch

Jl, Brawijaya No. 25A Kota Kediri, Indonesia
Phone: 62-354-4526726

Purwakarta Branch

Jl. Basuki Rahmat No. 94, Purwakarta/41114, Indonesia
Phone: 62264-8227474

Subang Branch

Jl. Ahmad Yani No. 36/41211, Indonesia
Phone: 62260-421014

Karawaci Tangerang Branch

Ruko Pinangia Blok H No. 1 Lippo Karawaci Kel. Cibodas Tangerang/15139, Indonesia
Phone: 6221-55772345

Garut Branch

Jl. Ahmad Yani No.33/44117, Indonesia
Phone: 62262-544672

Medan Branch

Jl. Zainul Arifin No. 53A, Indonesia
Phone: 6261-42007100

Makassar Branch

Jl. Gunung Latimojong, Ruko Metro Square Blok E No. 1, Indonesia
Phone: 6241-18001859

Buah Batu Sub-Branch

Jl. Buah Batu No. 58 Bandung/40265, Indonesia
Phone: 6222- 7306347

Kopo Sub-Branch

Komp Ruko Mas J-9 Jl. Kopo Cirangrang/40225, Indonesia
Phone: 6222-5436802

Cimahi Sub-Branch

Jl. Raya Cibabat No. 310 Cimahi/40213, Indonesia
Phone: 6222-6634656

Sukajadi Sub-Branch

Jl Sukajadi No. 248 Bandung, Indonesia
Phone: 6222-2042248

Soekarno Hatta Sub-Branch

Jl. Soekarno Hatta No. 618 F/40286, Indonesia
Phone: 6222-7509905

Pemuda/Rawamangun Sub-Branch

Jalan Paus No 91 F, Pulogadung, Jakarta Timur, Indonesia
Phone: 6221-47862070

Sumedang Sub-Branch

Jl. Prabu Geusan Ulun No.76/45311, Indonesia
Phone: 62261-206527

Serang Sub-Branch

Jl. KH. Abdul fatah Hasan No.53 Kel. Cipare Serang/42124, Indonesia
Phone: 62254-224142

Commercial Center Cikarang Sub-Branch

Cikarang Commercial Centre Blok A1-2, Jl. Cibarusah KM. 40 No. 2 Kampung pasir sari kec. Cikarang Selatan/17550, Indonesia
Phone: 6221-89835720

Atrium/Cideng Sub-Branch

Jalan Keseman No 2, Kota. Jakarta Pusat, Indonesia
Phone: 6221-3451964

Kebon Jeruk Sub-Branch

Jl. Kelapa Dua Raya(RayaPanjang) No.2, Rt 008, Rw 002 Kel. Kelapa Dua Kec. Kebon Jeruk/12130, Indonesia
Phone: 6221-53660160

Diponegoro Sub-Branch

Jl. Diponegoro No. 28 Bandung/40251, Indonesia
Phone: 6222-87831928

Lembang Sub-Branch

Jl. Grand Hotel Lembang No.25 Bandung/40391, Indonesia
Phone: 6222-2784797

Jababeka Cikarang Sub-Branch

Ruko Metro Boulevard Kav. A Jl. Niaga Raya No. 10 Kawasan Industri Jabeka/17835, Indonesia
Phone: 6221-89836020/ 89837020

Majalengka Sub-Branch

Jl. KH. Abdul Halim No.447 Majalengka/45411, Indonesia
Phone: 62233-8285460

Kuningan Sub-Branch

Jl. Dewi Sartika No.4/45512, Indonesia
Phone: 62232- 8880938

Indramayu Sub-Branch

Jl. DI. Panjaitan No.103/45212, Indonesia
Phone: 62234-276236

Cibubur Sub-Branch

Cibubur Times Square Blok B1/1 Jl. Alternatif Cibubur KM 3 Kel. Jatiraya, Kec. Jastisampurna Bekasi/17435, Indonesia
Phone: 6221-84305050

Cikampek Sub-Branch

Jl. Terusan Sudirman No. 6B(Sudirman Center)/41373, Indonesia
Phone: 62264-8385171/ 8385172

Depok Sub-Branch

Jl. Margonda Raya No.1 Rt 001/011 Kelurahan Depok Kecamatan Pancoran Mas/16431, Indonesia
Phone: 6221-7522091

Salatiga Sub-Branch

Ruko Wijaya Square B5 Jl.Diponegoro No. 110 Salatiga/50711, Indonesia
Phone: 62298-311828

Sidoarjo Sub-Branch

Jl. KH. Mukmin No.11 Blok B-7 Sidoarjo/60281, Indonesia
Phone: 6231-8922842

Mojokerto Sub-Branch

Jl. Gajah Mada No.85B/60319, Indonesia
Phone: 62321-383444

Cianjur Sub-Branch

Jl. Abdulah Bin Nuh No.15/43253, Indonesia
Phone: 62263- 260941, 260943

Pamulang/Ciputat Sub-Branch

Jl. RE. Martadinata No. 167 B RT.03 RW. 05 Cipayung, Ciputat, Kota Tangerang Selatan, Indonesia
Phone: 6221-7403205,7443335

Sumber Sub-Branch

Jl. Dewi Sartika No. 57 Sumber/45611, Indonesia
Phone: 62231-8330618

Bantul Sub-Branch

Jl. Jenderal Sudirman No. 130 Kabupaten Bantul/55713, Indonesia
Phone: 62274-367514

Balaraja Sub-Branch

Komplek Ruko Balaraja Center Blok A No.2 Jl. Raya Serang Km. 24 Talaga Sari Balaraja-tangerang/15610, Indonesia
Phone: 6221-29015618

Ciledug Sub-Branch

Ruko Dian Plaza Jl. Raden Fatah No. 8A Kelurahan Sudirman Selatan,Ciledug/15225, Indonesia
Phone: 6221-7330545

Gunung Sabeulah Sub-Branch

Jl. Gunung Sabeulah Kel.Tawang Sari Kec. Tawang kota Tasikmalaya/46112, Indonesia
Phone: 62265-326147

Magelang Sub-Branch

Ruko Metro Square Blok F No.25/56172, Indonesia
Phone: 62293-326498/326499

Padalarang Sub-Branch

Jl. Raya Padalarang No.463 H/40553, Indonesia
Phone: 6222-6803940/41

Patrol Sub-Branch

Jl. Raya Patrol Anjatan Blok Bunder No. 52/45256, Indonesia
Phone: 62234-5613627

Gianyar Sub-Branch

Jl. By.Pass Dharma Giri No.99/80511, Indonesia
Phone: 62361-8958295

Gresik Sub-Branch

Ruko KIG Jl. Tri Dharma Kav. A-14/61117, Indonesia
Phone: 6231-3981758

Karawang Sub-Branch

Jl. Tuparev No.499 (Johar) Kab.Karawang, Indonesia
Phone: 62267-8454873/8454874

Cibinong Sub-Branch

Jl. Raya Mayor Oking No.158 V/16918, Indonesia
Phone: 6221-87904397

Singaparna Sub-Branch

Jl. Raya Timur No.45 Singaparna/46416, Indonesia
Phone: 62265-543111-3

Ciamis Sub-Branch

Ruko Jl Pasar Manis No. 35 -Kab. Ciamis, Indonesia
Phone: 62265-772221

Sleman Sub-Branch

Jl. Magelang KM 12.8 No.200/55514, Indonesia
Phone: 62274-865922

Losari Sub-Branch

Jl. Letjen S. Parman No. 20 Kecamatan Pabuaran , Kab. Cirebon Jawa Barat, Indonesia
Phone: 62231- 8832738-39

Bekasi/Pondok Gede Sub-Branch

Jl Raya Jatimakmur Blok A No. 20 Pondok Gede, Kota Bekasi Ruko Taman Jatimakmur Indah, Indonesia
Phone: 6221-82611045-46

Kudus Sub-Branch

Jl. Sunan Kudus No.5 a/509000, Indonesia
Phone: 62291-4249241

Pamanukan Sub-Branch

Jl. Eyang Tirtapraja No.54 Kab.Subang/41254, Indonesia
Phone: 62260-551773

Majalaya Sub-Branch

Jl. Alun-alun utara/Jl. Tengah komp ruko permata majalaya Blok C6/40382, Indonesia
Phone: 6222-85963799

Pangalengan Sub-Branch

Jl. Raya Pintu Pangalengan KM-1/40378, Indonesia
Phone: 6222-5979222

Megablock Cilegon Sub-Branch

Jl. Raya Ahmad Yani Komp. Cilegon Green Megablock D3 No. 17 - Kota. Cilegon, Indonesia
Phone: 62254-8484772

Rangkasbitung Sub-Branch

Jl Hardiwangun No.6 B Rangkasbitung - Kab. Lebak, Indonesia
Phone: 62252-203612

Tabanan Sub-Branch

Jl. Ngurah Rai No. 73 Kediri/82121, Indonesia
Phone: 62361-814160

Surabaya /Darmo Boulevard Sub-Branch

Office Park II B.2 No.11 , Indonesia
Phone: 6231-7381906

Soreang Sub-Branch

Jl. Raya Soreang No.412/40900, Indonesia
Phone: 6222-5896880

Ujung Berung Sub-Branch

JL AH Nasution No. 28 - Kota.Bandung, Indonesia
Phone: 6222-7834128

Jemur Sari/Surabaya selatan Sub-Branch

Jl. Raya Jemursari No. 15C Surabaya/60237, Indonesia
Phone: 6231-8480454

Lur Agung Sub-Branch

Jl. Siliwangi No. 18 Kec Luragung, Kab Kuningan/45581, Indonesia
Phone: 62232-870016

Pangandaran Sub-Branch

Jl. Parapat, Desa Pangandaran, kec pangandaran kab ciamis/46396, Indonesia
Phone: 62265-630400,630010

Purwodadi Sub-Branch

Jl. Letjend. S. Parman No. 13 Kel. Purwodadi Kec. Purwodadi Jawa Tengah/58111, Indonesia
Phone: 62292-423399

Leuwiliang Sub-Branch

Jl. Raya Jasinga 11A Kel. Cibeber, Kec. Leuwiliang Kab Bogor/16640, Indonesia
Phone: 62251-8640297

Ciawi Tasikmalaya Sub-Branch

Jl. Perjuangan No.80 Kp.Karanganyar Rt. 04 Rw.05 Desa Pakemitan Kec Ciawi Kab. Tasikmalaya/46156, Indonesia
Phone: 62265-455163,455167

Cilacap Sub-Branch

Jl. Jend. A Yani No.46 Cilacap/53212, Indonesia
Phone: 62282-537929

Jombang Sub-Branch

Jl. KH. Wahid Hasyim No.71 Kota Jombang - Jawa Timur/61411, Indonesia
Phone: 62321-878906, 62321-872906

Banjar Sub-Branch

Jl. Letjen Soewarto No.92/46321, Indonesia
Phone: 62265-740557

Boyolali Sub-Branch

Jl. Pandanaran No.179 B Kab.Boyolali/57313, Indonesia
Phone: 62276-323655

Martadinata/Cihapit Sub-Branch

Jl. RE Martadinata Pav 123 Bandung/40114, Indonesia
Phone: 6222-7107090

Radio dalam Sub-Branch

Jl. Radio dalam raya No.4 Kel. Gandaria Utara Kec. Kebayoran baru Jakarta selatan/12160, Indonesia
Phone: 6221-7211005

Singaraja Sub-Branch

Jl. Ngurah Rai No. 16 Singaraja Kelurahan Kendran Kecamatan Buleleng/81112, Indonesia
Phone: 62362-25098

Manonjaya Sub-Branch

Jl. RTA. Prawira Adiningrat No.214 A Desa Manonjaya kec. Manonjaya-Tasikmalaya, Indonesia
Phone: 62265-380510

Surabaya Utara /kertajaya Sub-Branch

Jl. Kertajaya Indah No. 9/F-105 Surabaya/60161, Indonesia
Phone: 6231-5927202

Batu Sub-Branch

Jl. Brantas No.49 Batu-Malang/65314, Indonesia
Phone: 62341-513709

Palimanan Sub-Branch

Jl. Otto Iskandardinata No.503 Palimanan, Indonesia
Phone: 62231-343950

Cibadak Sub-Branch

Jl. Raya Suryakencana RT 03 RW 08, Cibadak - Kab. Sukabumi
Phone: 6266-531915

Kemang Pratama Bekasi Sub-Branch

Jl. Niaga Raya Blok P No.22C RT 001/021 Kel. Bekasi, Indonesia
Phone: 62254-369755

Wates Sub-Branch

Jl. Kolonel Sugiyono No.3-Wates, Indonesia
Phone: 62274-6657325

Tanjung Priok Sub-Branch

Jl Tampak Siring No 12, Kota. Jakarta Barat, Indonesia
Phone: 6221-4361667

Karangnunggal Sub-Branch

Jl. Raya Karangnunggal KP.Karangmekar RT/RW 03/09 Desa Hegarwangi Kec. Bantarkalong Kab, Indonesia
Phone: 62265 - 2584571/2584572

Cibatu Sub-Branch

Jalan Raya Cibatu - Limbangan Ruko Perum Bunar Indah Blok C-29 No 15-17 Rt 06 Rw 04 Desa Cibunar Kecamatan Cibatu Kabupaten Garut, Indonesia
Phone: 62262-467708

Wonogiri Sub-Branch

Jalan Ahmad Yani No 66, Wonogiri, Indonesia
Phone: 62271-633600

Kawali Sub-Branch

Jl. Siliwangi No.262, Desa Kawali mukti, Indonesia
Phone: 62265 791560

Kepanjen Sub-Branch

Jl. Kawi Ruko B7, Kepanjen, Indonesia
Phone: 6234-1-379840

Pamekasan Sub-Branch

Jl. Kabupaten No.114, Indonesia
Phone: 62324-333905/62324-333906

Kebumen Sub-Branch

Jl. Ahmad Yani No.20, Kubumen, Indonesia
Phone: 62287-3878168

Mangga Dua Sub-Branch

Ruko Harco Mangga Dua Blok L. No.5, Indonesia
Phone: 6221-62306495

Kelapa Gading Sub-Branch

Jl. Boulevard Barat Ruko MOI Blok I No.15, Indonesia
Phone: 62-21-29364053

Kayu Agung Sub-Branch

Jl. Letnan Muthtar Saleh, Kayuagung, Palembang, South Sumatra, Indonesia
Phone: 62-711-315828

Klaten Sub-Branch

Jl. Pemuda No. 246 Klaten, solo, Indonesia
Phone: 62-271-633600

Parung Sub-Branch

Jl. Rayal Parung RT002/RW006, Kacamatan Parung, Kabupaten Bogor, Indonesia
Phone: 62-2151-861-9559

Pasuruan Sub-Branch

Jl. Panglima Sudirman No.45 Ruko I, Pasuruan, Malang, Indonesia
Phone: 62-343-561-4700

Pati Sub-Branch

Jl. Ir. Susato No.40 Pati, Jawa Tengah, Indonesia
Phone: 62-24-352-1906

Sumenep Sub-Branch

Jl. Trunouyo No. 244 Sumenep, Indonesia
Phone: 62-3428-6762234

Pelabuhan Ratu Sub-Branch

Jl. Siliwangi Rt/Rw 02/18, Desa Pelabuhan Ratu, Indonesia
Phone: 62-266-6249715

Posco Cilegon Sub-Branch

Annex Building Lt. 1 Jl. Afrika No.2 Krakatau Posco Cilegon/42435, Indonesia
Phone: 62254-369755

Union Square Cikarang Sub-Branch

Ruko Union Square Blok A No.6 Lippo Cikarang, Cikarang Selatan, Indonesia
Phone: 6221-89909797

Sadang Sub-Branch

Sadang Terminal Square No.07,08,25 Jl. Raya Sadang Purwakarta/41181, Indonesia
Phone: 62264-8220180

Cikajang Sub-Branch

Jl. Raya Cikajang No. 80 Garut, Indonesia
Phone: 6262-576094

Cilimus Sub-Branch

Jalan Raya Cilimus RT 017/04, Desa Cilimus Kecamatan Cilimus, Kabupaten Kuningan, Indonesia
Phone: 62232-615411

Kendal Sub-Branch

Jl. Raya Utama No.9 weleri kendal, Indonesia
Phone: 62294-644704

Wonosari Sub-Branch

Jl. KH. Agus Salim No.71A Wonosari - Kab Gunungkidul, Indonesia
Phone: 62274-3950673

Purbalingga Sub-Branch

Jl. Ahmad Yani No.42 Purbalingga, Indonesia
Phone: 62281-895553

Sragen Sub-Branch

Jl. Sukowati No.156 Sragen, Indonesia
Phone: 62271-895015

Bintaro Sub-Branch

Jl Kesehatan No 18B, jakarta, Indonesia
Phone: 6221-7374693

KCP PROBOLINGGO

Ruko Manunggal No. 2, Jl. Soekarno Hatta, Indonesia
Phone: 6233-54491787

KCP PANDEGLANG

Jl. Raya Labuan KM 1, Indonesia
Phone: 6225-35554739

KCP PASAR ATOM

Jl. Pangampon No. 75, Indonesia
Phone: 6231-3503350

KCP CITRA RAYA

Ruko Cikupa Niaga Mas Blok A No. 12, Indonesia
Phone: 6212-9014270

KCP CAKUNG

Jl. Jawa Raya Blok A 14 No. 7 (Kawasan Berikat Nusantara), Indonesia
Phone: 6214-84556

KCP PANTAI INDAH KAPUK

Jl. Marina Raya, Rukan Cordoba Blok A Nomor 11, Indonesia
Phone: 6212-2571768

KCP CENTRAL PARK

Ruko Garden Shopping Arcade No. 9 A-C, Indonesia
Phone: 6212-9334623

KCP JEPARA

Jl. Pemuda No. 21 D-E, Indonesia
Phone: 6291-4290507

KCP BANJARNEGARA

Jl. Letjend S.Parmar No. 29, Indonesia
Phone: 6286-5963716

Lawang Sub-Branch

Ruko Lawang View Kav 8, Jl. Thamrin, Kecamatan Lawang, Indonesia
Phone: 62-341-423540

Purworejo Sub-Branch

Jl. Ahmad Yani no.93, Purworejo, Indonesia
Phone: 62-75-321457

Brebes Sub-Branch

Jl. Jenderal Ahmad Yani No 26 F, Indonesia
Phone: 6288-34511421

Dalem Kaum Cash-Office

Jl Dalam Kaum No. 5 - Kota.Bandung, Indonesia
Phone: 6222-4211906

Batujajar Cash-Office

Jl. Batujajar No.324 Bandung, Indonesia
Phone: 6222-86861018/17/15

Antapani / Suci Cash-Office

Jl. Terusan Jakarta Ruko Pelangi Antapani No. 4 Antapani Bandung, Indonesia
Phone: 6222-7279740

Jatinangor Cash-Office

Jl. Raya Jatinangor KM 20.5 KKB I IKOPIN/45363, Indonesia
Phone: 6222-7781587

Darmaraja Cash-Office

Jl. Raya Darmaraja No.253 desa Darmaraja, Kec Darmaraja Kab.Sumedang/45372, Indonesia
Phone: 62262-429000,429069,428478

Cililitan Asabri Cash-Office

Jl. Mayjen Sutoyo No.11 Gedung PT Asabri (persero) Jl. Cililitan - jakarta Timur/13630, Indonesia
Phone: 6221-80876494

Jatibarang Cash-Office

Jl. Letnan Joni No.178 Kec. Jatibarang - Kab Indramayu/45273, Indonesia
Phone: 62834-352911

Pacar Anyar / Taman Topi Cash-Office

Jl. Sawojajar No.12 B, Kota. Bogor, Indonesia
Phone: 62251-8574423

Ciwai bogor / Juanda Cash-Office

Jl. Raya Sukabumi Km 2 Pertokoan MJ Center, Kab. Bogor, Indonesia
Phone: 62251-8243874

Ungaran Cash-Office

Ruko permata hijau No.1 Jl. MT Haryono No. 16 Kel Ungaran Kec Ungaran Barat Kab. Semarang/50511, Indonesia
Phone: 6224-76911017

Serang / pamila CilegonCash-Office

Jl. Raya Serang- pandeglang KM 11 Lingkungan waru Lor,Desa/ke. Kamanisa Kec Curug Kota serang/42117, Indonesia
Phone: 62254-222133

Gading Serpong Cash-Office

Jl. Boulevard Raya Gading Serpong, Ruko Alexandrite 3, No.21, Kabupaten Tangerang, Indonesia
Phone: 62-21-5421-2159

Bojonegoro Cash-Office

Jl. Untung Suropati Ruko Adipura BlockA-11, Indonesia
Phone: 62-353-311271

Surya symantri Cash-Office

Jl. Surya Sumantri No. 06 RT. 05 RW. 04, Indonesia
Phone: 62-22-2021760

Asabri Cash-Office

Jl. Kebonsari Elveka I No.5 - Surabaya Gedung Kantor, Indonesia
Phone: 62-31-82517971

KK KEMANG

Kemang Square Lt 2, Unit I-11 & I-12, Jl. Kemang Raya No. 3 A, Indonesia
Phone: 6221-22716210

KK CIKANDE

Jl. Raya Jakarta - Serang KM 68, Ruko Grand Permata No. 10, Indonesia
Phone: 6225-47951546

Dalem Kaum Functional Office

Jl. Dalem Kaum No.5 Bandung, Indonesia
Phone: 6222- 4233810

HONG KONG**Woori Global Markets Asia Limited**

Rooms 1907-1909, 19/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong
Phone: 852-3763-0888

RUSSIA**AO Woori Bank**

8th floor., Lotte Plaza, 8, Novinsky Boulevard, Moscow, 121099, Russia
Phone: 7-495-783-9787

AO Woori Bank Saint-Petersburg Branch

1st Floor, Atlantic City, 126 Savushkina Street, Saint-Petersburg, 197374, Russia
Phone: 7-812-327-9787

AO Woori Bank Vladivostok Representative Office

Vladivostok Business-Center<Hyundai> Office No. 614, 29, Semenovskaya Str. Vladivostok, 690091, Russia
Phone: 7-423-240-7014

BRAZIL**Woori Bank Brasil**

Avenida das Nacoes Unidas, 14,171, Crystal Tower, Conj.803, Vila Gertrudes, 04794-000, Sao Paulo-SP
Phone: 55-11-3511-3300

Woori Bank Bom Retiro Branch

Rua Tres Rios, 261 Andar 2, Bom Retiro, Sao Paulo SP
Phone: 55-11-3511-3350

CAMBODIA**Woori Finance Cambodia Plc.**

Building No. 119B, Street271, Sangkat Phsar Doem Thkov Khan Chamkarmon, Phnom Penh, Cambodia
Phone: 855-23-999-661

Russey Keo Branch

House No 1A, National Road 5, Sangkat Kilomet Lek6 Khan Russey Keo, Phnom Penh, Cambodia
Phone: 855-23-999-664

Pursenchey Branch

House No 6A, Russian Blvd, Tangoun Village, Sangkat Kakb, Khan Pursenchey, Phnom Penh. Cambodia
Phone: 855-23-999-803

Kean svay Branch

House No. 330, National Road 1, Toul Tuaut village, Korkey Commune, kean Svay district, Kandal province, Cambodia
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 Cambodai, Cambodia
Phone: 855-23-900-945

Ang Snoul Branch

#109, National road No.4, Village Bek Chan, CommuneBek Chan, District Ang Snoul, Cambodia
Phone: 855-23-999-355

Phsar Depo Branch

#138D, St 215, Sangkat Veal Vong, Khan Prumpei Makara, Phnom Penh, Cambodia
Phone: 855-23-900-455

AreyKshat Branch

#76, St lum, Village Prek Lvea Commune Prek Takov, Distrcit Kshach Kandal, Kandal Province, Cambodia
Phone: 855-2490-0488

S'ang 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 Stoeung 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

Char Ampov Branch

#610B, National road No.1, Doem Sleng Village, Sangkat Chabar Ampov, Khan Chbar Ampov, Phnom Penh, Cambodia
Phone: 855-23-999-026

Toul Kork Branch

#1C, St 355, Phum 1, Sangkat Boeung Kok1, Khan Toul Kork, Phnom Penh, Cambodia
Phone: 855-23-999-025

Chamkar Doung Branch

#2039, St 217, Taley Village, Sangkat Dong Kor, Khan Dong Kor, Phnom Penh, Cambodia
Phone: 855-23-999-027

Kampongspue Branch

#751, National Highway No 4, Kampongspue, Cambodia
Phone: 855-25- 900-555

Pshar Dey Huy Branch

House N0. 11, Phnom Penh Hanoi Blv (1019), Phum Rong Chak , Sangkat Kork Kleang, Khan Sen Sok, Phnom Penh, Cambodia
Phone: 855-23-900-466

Kandal Stueng Branch

Land N0. 5, St. 38, Svay Ming Village, Barku Commune, Kandal Stueng District, Kandal Province, Cambodia
Phone: 855-24-900-066

Odongk Branch

National Road No. 5, Mlue Moeun, Phsar Daek Commune, Popnhea Lueu District, Kandal Province, Cambodia
Phone: 855-24-900-077

Mukh Kampul Branch

House N0 271, National Road 6A, Kroum Village, Preaek Anhchanh Commune, Mukh Kampul District, Kandal Province, Cambodia
Phone: 855-24-900-099

WB Finance

Buliding 398, Preah Monivong Blvd, Sangkat Boeun Keng Kang 1, Khan Chamkarmon, Phnom Penh 12302, Kingdom of Cambodia
Phone: 855-23-96-3333

Phnom Penh Head Office

Lot No. 398, Monivong Blvd., Sangkat Beung Keng Kang 1, khan Chamkar Mon, Phnom Penh, Cambodia
Phone: 855-23-96-9269

Kandal Regional Office

#240, National Road 2, Kraep Ha Village, Sangkat Preak Ruessei, Ta Khmao City, Kandal Province, Cambodia
Phone: 855-87-63-4444

Sa'ang Branch Office

National Road no.21, Preaek Run village, Preaek Koy commune, S'ang district, Kandal province, Cambodia
Phone: 855-87-77-7993

Kien Svay Branch Office

National Road no.1, Tuol Tnaot village, Kaki commune, Kien Svay district, Kandal province, Cambodia
Phone: 855-87-77-7488

Kandal Stueng Branch Office

#86, National Road no. 2, Preaek Roka village, Preaek Roka Commune, Kandal Stueng district, Kandal province, Cambodia
Phone: 855-87-77-7132

Leuk Daek (Kampong Phnom) Branch Office

National Road No. 1, Ampil Tuek village, Kampong Phnum commune, Leuk Daek district, Kandal province, Cambodia
Phone: 855-87-77-7279

Prey Veng Branch Office

National Road No 11. Village 8, Sangkat Kampong Leav, Prey Veng city, Prey Veng province, Cambodia
Phone: 010855644

Sithor Kandal Branch Office

Preaek Sandaek Village Preaek Changkran Commune, Sithor Kandal District Prey Veng Province, Cambodia
Phone: 010855220

Svay Rieng and Svay Chrom Regional Office

Keansang Village, Svay Rieng Commune, Svay Rieng City, Svay Rieng Province, Cambodia
Phone: 068855973

Preah Sdech Branch Office

Krasang Tong village, Angkor Reach commune, Preah Sdach district, Prey Veng province, Cambodia
Phone: 0889201571

Kampong Trabaek Branch Office

Doun Tong village, Prasat commune, Kampong Trabaek district, Prey Veng province, Cambodia
Phone: 0886450320

Mesang Branch Office

Vang Villeg Chiphouch Commune, Mesang District, Prey veng Province, Cambodia
Phone: 010855188

Chantrea Branch Office

Thnal Cheat Village, Sangkat Chrok Mates, Bavith City, Svay Rieng province, Cambodia
Phone: 0889204613

Romeashek Branch Office

Tatrav Village, Kampong Trach Commune, Romeashek District, Svayreing province, Cambodia
Phone: 0884831787

Kampong Ro Branch Office

Svay Anat Village, Nhor Commune, Kampong Rou District, Svay Rieng Province, Cambodia
Phone: 0889204643

Rumduol Branch Office

Chak Village, Kampong Chak commune Rumduol District Svay Rieng Province, Cambodia
Phone: 0889204641

Takeo Regional Office

National Road No. 2, Thnol bek village, Sangkat Roka Krao, Doun Kaev city, Takeo province, Cambodia
Phone: 015493888

Bati Branch Office

National Road no. 2, Smau Khnei village, Trapeang Sab commune, Bati district, Takeo province, Cambodia
Phone: 0884839823

Tramkok Branch Office

National Road no. 3, Angkh Tasaom village, Angkh Tasaom commune, Tramkok district, Takeo province, Cambodia
Phone: 060855213

Kirivong Branch Office

Po Khvet Village, Phrah Bat Choan Chum Commune, Kirivong District, Takeo Province, Cambodia
Phone: 060855886

Koh Andaet Branch Office

Prey Malong Khang Tboing Village, Prey Khla commune, Koh Andaet district, Takeo province, Cambodia
Phone: 0884839711

Samraong Branch Office

Krang Lang Village, Cheung Kuon Commune, Samraong District, Takeo province, Cambodia
Phone: 0888551219

Prey Kabas Branch Office

#408, St 108, Prey Lavea Ket Village, Prey Lavea Commune, Prey Kabas district, Takeo province, Cambodia
Phone: 0884839908

Kampot (Chhouk) Regional Office

National Road no. 3, Damnak Toap Khang Tboing village, Krang Snay commune, Chhuk district, Kampot province, Cambodia
Phone: 0974855014

Banteay Meas Branch Office

Samrong village, Samrong Krom commune, Banteay Meas district, Kampot province, Cambodia
Phone: 0884844237

Angkor Chey Branch Office

Pral Village, Tani Commune, Angkor Chey District, Kampot Province, Cambodia
Phone: 060855085

Kampong Trach Branch Office

Kampong Trach 1 Village, Kampong Trach Khang Kaeut Commune, Kampong Trach District, Kampot Province, Cambodia
Phone: 060855075

Kampong Som Branch Office

Village no. 03, Sangkat Lak 02, Quarter, Metapheap Ward, Preah Sihanouk City, Cambodia
Phone: 068855997

Sre Ambel Branch Office

Trapeang village, Sre Ambel commune, Sre Ambel district, Koh Kong province, Cambodia
Phone: 0884837124

Basedth Branch Office

Slab Leaeng village, Svay Rompea commune, Basedth district, Kampong Speu province, Cambodia
Phone: 0884874229

Kampong Speu Regional Office

National Road #4, Borei Kammeakkar Village, Rokar Thum Commune, Chbar Morn Municipality, Kampong Speu Province, Cambodia
Phone: 066746666

Korng Pisey Branch Office

Tuol Ta Sokh Village, Saen Die Commune, Samraong Tong District, Kampong Speu Province, Cambodia
Phone: 068855662

Oudong-1 Branch Office

Bat Doeung village, Khsem Khсан commune, Oudong district, Kampong Speu province, Cambodia
Phone: 060855776

Kraing Chek (Oudong II) Branch Office

Ta Ni village, Krang Chek Commune, Odongk District, Kampong Speu province, Cambodia
Phone: 0884839856

Thpong Branch Office

Tranh Veaeng Village, Prambei Mum Commune, Thpong District, Kampong Speu Province, Cambodia
Phone: 0884839945

Oral Branch Office

Phsar Kontourt village, Sangkea Sartorb Commune, Oral district, Kampong Speu province, Cambodia
Phone: 066574593

Phnum Sruoch Branch Office

Krang Khcheay village, Tang Sya commune, Phnum Sruoch district, Kampong Speu province, Cambodia
Phone: 0884837957

Tuek Phors Branch Office

Srae Ta Chey Vallage, Akphivoadth Commune, Tuek Phos District, Kampong Chhnang Province, Cambodia
Phone: 087777010

Kampong Chhnang Regional Office

National Road no.5, Tuol Kralanh village, Sangkat Kampong Chhnang, Kampong Chhnang city, Kampong Chhnang province, Cambodia
Phone: 0974855006

Kampong Leaeng Branch Office

Kampong Boeng village, Kampong Hau commune, Kampong Leng district, Kampong Chhnang province, Cambodia
Phone: 090855763

Kampong Tralach Branch Office

Soben village, Peani commune, Kampong Tralach district, Kampong Chhnang province, Cambodia
Phone: 090855820

Boribour Branch Office

Cheung Khnar Village, Pontey Commune, Boribour District, Kampong Chhnang Province, Cambodia
Phone: 0886007498

Pursat Branch Office

#475, National Road 5, Krang Pophleak Village, Svay At Commune, Pursat District, Pursat province, Cambodia
Phone: 0886007540

Kraker Branch Office

National Road 5, Phsar village, Anlong Tnaot commune, Krakor district, Pursat province, Cambodia
Phone: 0884838011

Phnum Kravanh Branch Office

Pich Ban Village, Leach Commune, Phnum Kravanh District, Pursat Province, Cambodia
Phone: 0884845057

Veal Veaeng Branch Office

Pramaoy village, Pramaoy commune, Veal Veaeng district, Pursat province, Cambodia
Phone: 0884845556

Kampong Thom Regional Office

House #009 Group 01 National Road no. 6, Stueng Saen Village, Sangkat Kampong Krabao, Stoung Sen City and Kampong Thom Province, Cambodia
Phone: 067855333

Romlong Branch Office

Rom Chek Village, Treal Commune, Baray District, Kompong Thom Province, Cambodia
Phone: 060855388

Stoung Branch Office

National Road no. 6, Leap Tong village, Kampong Chen Tboing commune, Stoung district, Kampong Thom province, Cambodia
Phone: 0884836778

Baray Branch Office

Prey Ta Trav Village, Balang Commune, Baray District, Kampong Thom Province, Cambodia
Phone: 0713855039

Sandan Branch Office

Toekmeang village, Sandan commune, Sandan district, Kampong Thom province, Cambodia
Phone: 0884827690

Prasat Sambour Branch Office

Sambo Village, Sambo commune, Prasat Sambour district, Kampong Thom province, Cambodia
Phone: 0884836883

Chamka Loeu Branch Office

Thnol Bek Lech Village, Svay Tearb Commune, Chamkar Loeu District, Kampong Cham Province, Cambodia
Phone: 0888472236

Battambang Regional Office

#99, No. 03, Mphey Osakphea village, Sangkat Svay Pao, Battambang city, Battambang province, Cambodia
Phone: 066855022

Banan Branch Office

Banan Village Kantueu Pir Commune, Banan District, Battambang Province, Cambodia
Phone: 010855775

Ratanak Mondul Branch Office

#34, Sdau village, Sdau Commune, Rotonak Mondol district, Battambang province, Cambodia
Phone: 010855977

Moung Ruessei Branch Office

Pou Muoy Village, Kear Commune, Moung Ruessei District, Battambang Province, Cambodia
Phone: 069855585

Moung Ruessei Branch Office

Pou Muoy Village, Kear Commune, Moung Ruessei District, Battambang Province, Cambodia
Phone: 069855585

Bakan Branch Office

Khnach Romeas Village, Beung Khnar Commune, Bakan District, Pursat Province, Cambodia
Phone: 0886007538

Pailin Branch Office

O'Tapuk Le village, Pailin commune, Pailin city, Pailin province, Cambodia
Phone: 0884873724

Samlout Branch Office

Ou Tontuem village, Ta sanh commune, Samlout district, Battambang province, Cambodia
Phone: 0884873767

Kamrieng Branch Office

Dong Village, Boeng Reang Commune, Kamrieng District, Battambang Province, Cambodia
Phone: 090309180

Preah Vihear Regional Office

Lor Et village, Sangkat Kampong Branak, Preah Vihea city, Preah Vihea province, Cambodia
Phone: 0884488844

Kuleaen Branch Office

Kuleaen Tbound Village, Kuleaen Tbound commune, Kuleaen district, Preah Vihear province, Cambodia
Phone: 0886007523

Sangkum Thmey Satellite Office

Tbeang Village, Chamraeun commune, Sangkom Thmei district, Preah Vihear province, Cambodia
Phone: 060855749

Rovieng Branch Office

Tang Trak Village, Robie commune, Rovieng District, Preah Vihear Province, Cambodia
Phone: 0884845242

Trapaing Prasat Branch Office

Trapeang Prasat Village, Trapeang Prasat commune, Trapeang Prasat District, Oddar Meanchey Province, Cambodia
Phone: 0884845248

Choam Khsant Branch Office

National Road 69B, Choam Khsant village, Choam Khsant commune, Choam Khsant district, Preah Vihear province, Cambodia
Phone: 0884845291

Kampong Cham Regional Office

National Road 7, village Boeng Snay, Kampong Cham city, Kampong Cham province, Cambodia
Phone: 0884840089

Prey Chhor Branch Office

Doun Die village, Chrey Vean commune, Prey Chhor district, Kampong Cham province, Cambodia
Phone: 0884842218

Stoeung Trang Branch Office

Tnaot Ta Say Village, Preak Kak Commune, Stueung Trang District, Kampong Cham Province, Cambodia
Phone: 0884842804

Chulkiri Branch Office

Prey Kri Tbound Village, Prey Kri commune, Chulkiri district, Kampong Chhnang province, Cambodia
Phone: 0884839707

Tbong Khmom Branch Office

National Road no. 7, Cheung Lang village, Sangkat Suong, Suong city, Kampong Cham province, Cambodia
Phone: 0886007526

Koh Sotin Branch Office

Phsar Thmey Village, Pearm Pror Thnours Commune, Koh Sotin District, Kampong Cham Province, Cambodia
Phone: 0883031098

Ponhea Kraek Branch Office

National Road no. 7, Peao Srok village, Kaong Kang commune, Ponhea Kraek district, Thbong Khmom province, Cambodia
Phone: 0979111030

Kratie Regional Office

Oresussey Village, Kratie Ward, Kratie City, Kratie Province, Cambodia
Phone: 0888848041

Chhloung Branch Office

Chrouy Thma Kraom village, Chhloung commune, Chhloung district, Kratie province, Cambodia
Phone: 0888816546

Snuol Branch Office

Kbal Snuol village, Snuol commune, Snuol district, Kratie province, Cambodia
Phone: 0884818019

Keo Sema Branch Office

Ou Arm Village, Sre Khtom Commune, Keo Sema District, Mondol Kiri Province, Cambodia
Phone: 0884818026

Dambae Branch Office

National Road no. 73, Thnal village, Dambae commune, Dambae district, Kampong Cham province, Cambodia
Phone: 0884843373

Memot Branch Office

Masin Tuek Village, Memot Commune, Memot District, Kampong Cham Province, Cambodia
Phone: 0884381224

Banteay Mean Chey Regional Office

National Road no.6, Kampong Svay village, Sangkat Kampong Svay, Serei Saophan city, Banteay Mean Chey province, Cambodia
Phone: 0884838900

Ou Chrov Branch Office

#15A, National Road no.5, Palitai village, Sangkat Paoy Paet, Paoy Paet city, Banteay Mean Chey province, Cambodia
Phone: 0884845706

Thma Puok Branch Office

Kasen village, Thma Puok commune, Thma Puok district, Banteay Mean Chey province, Cambodia
Phone: 0884839749

Bavel Branch Office

#15, st. Aksor Te, Bavel 1 village, Bavel commune, Bavel district, Battambang province, Cambodia
Phone: 090281942

Phnom Proek Branch Office

Phnum Toch village, Pech Chenda commune, Phnum Proek district, Battambang province, Cambodia
Phone: 090855342

Siem Reap Regional Office

#76, National Road no. 6, Chong Kao Sou village, Sangkat Slor Kram, Siem Reap city, Siem Reap province, Cambodia
Phone: 0884845477

Puok Branch Office

Kouk Thmei village, Puok commune, Puok district, Siem Reap province, Cambodia
Phone: 0884836879

Srey Snom Branch Office

Chroy Neang Nguon village, Chroy Neang Nguon commune, Srey Snam district, Siem Reap province
Phone: 060270442

Angkor Chum Branch Office

Kbal Cham Village, Char Chhuk commune, Angkor Chum District, Siem Reap Province, Cambodia
Phone: 087555476

Samraong Chong Kal Branch Office

at Doun Kaen Village, Samraong Commune, Samraong District, Oddar Meanchey province, Cambodia
Phone: 087666741

Chi Kraeng Branch Office

#079, Group 01, Kampong Kdey1 Village, Kampong Kdey Commune, Chikrek District, Siem Reap Province, Cambodia
Phone: 087555474

Preah Net Preah Branch Office

National Road 6, Phnum Chonhcheang village, Chob Veari commune, Preah Net Preah district, Banteay Mean Chey province, Cambodia
Phone: 060855553

Phnom Penh (Tuol Kork) Regional Office

#152B2, St 516, 13 Village, Sangkat Boeung Kork 1, Khan Toulkork, Phnom Penh, Cambodia
Phone: 0719833384

Stueng Mean Chey Branch Office

#B1, St. 371, Trea 3 village, Sangkat Stueng Mean Chey, Khan Mean Chey, Phnom Penh, Cambodia
Phone: 087888277

Punhea Lueu Branch Office

#87, National Road No. 5, Tep Pranom village, Vihea Luong commune, Ponhea Lueu district, Kandal province, Cambodia
Phone: 0884843228

Mukh Kampoul Branch Office

National Road No. 6A, Kraom village, Preaek Anh Chanh commune, Mukh Kampoul district, Kandal province, Cambodia
Phone: 0884842169

Khsach Kandal (Preaek Tameak) Branch Office

Knong village, Preaek Tameak commune, Khsach Kandal district, Kandal province, Cambodia
Phone: 0884842027

Svay Pak Branch Office

National Road No. 5, Lu Village Svay Pak, Khan Russey Keo, Phnom Penh, Cambodia
Phone: 0884845604

Chaom Chau Branch Office

Prey Svay Village, Sangkat Chaom Chau, Khan Pur SenChey, Phnom Penh, Cambodia
Phone: 0884840208

Chruoy Changvar Branch Office

lot No. A-01, Street 6A, Phum 3, Sangkat Chrouy Chang Var, Khan Chroy Chang Var, Phom Penh City, Cambodia
Phone: 0884841986

Srey Sonthor Branch Office

Santey village, Preaek Po commune, Srey Sonthor district, Kampong Cham, Cambodia
Phone: 0884845245

Ratanakiri Regional Office

Chey Chumnas Village, sangkat Labanseak, City Banlung, Ratanakiri Province, Cambodia
Phone: 0884830845

Stoeung Treng Branch Office

Spean Thmor Village, Stoeung Treng Commune, Stoeung Treng District Stoeung Treng Province, Cambodia
Phone: 0713261010

Koh Nhek Branch Office

Reangsei village, Srae Sangkum commune, Kaoh Nheak district, Mondul Kiri province, Cambodia
Phone: 0713855124

Borkeo Branch Office

Phum Muoy village, La Minh Commune, Bar Kaev District, Ratanakiri Province, Cambodia
Phone: 0713260505

Saen Monourom Branch Office

Chambak Village, Spean Mean Chey Commune, Saen Monourom District, Mondul Kiri Province, Cambodia
Phone: 0713855100

KAMPOT Branch

Kampong Bay Khang Cheung Village, Kampong Bay Sangkat, Kampot City, Kampot Province, Cambodia
Phone: 855-68-435555

MYANMAR**Woori Finance Myanmar Plc.**

115/A, Pyay Road, Saw Bwar Gyee Kone Ward(10 miles), Insein Township Yangon, Myanmar
Phone: 95-1-643798

MingaladonI Branch

115/A, Pyay Road, Saw Bwar Gyee Kone Ward(10 miles), Insein Township Yangon, Myanmar
Phone: 95-1-643798

NorthOkkalapa Branch

No. M(56), Thiriyadanar Wholesale Market NorthOkkalapa Township, Yangon, Myanmar
Phone: 95-99-6889-2300

MingaladonII Branch

4F, 115/A Pyay Road, Saw Bwar Gyee Kone Ward(10miles), Insein Township, Yangon, Myanmar
Phone: 95-1-643798

Nyaungdon Branch

Room No. 103, 1st Street, 5 Quarter, Nyaungdon Township, Ayarwaddy, 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 Township, Yangon, Myanmar
Phone: 95-9-974563586

Hmawbi II Branch

1F No(26) Tatkyee Kone village, Hmawbi Township, 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 Townshop, Yangon, Myanmar
Phone: 95-9-9742-91112

Insein Branch

115/A, Pyay Road, Saw Bwar Gyee Kone Ward(10 miles), Insein Township Yangon, Myanmar
Phone: 95-1-643798

Kungyangon Branch

No 540, Yadanar Pone 2nd St, Kangyi / Magyi Ward, Kungyangon Township, Yangon, Myanmar
Phone: 95-9-975-890019

Zalun Branch

Bogyok St. Nyaung Pin Zay Ward, Zalun Township, Ayeyarwady, Myanmar
Phone: 95-9-960996083

Kyimyindaing Branch

No. 101, Tha Yet Taw(3) Upper St. Tha Yet Taw Ward, Kyimyindaing Township, Yangon, Myanmar
Phone: 95-9-960996092

Hinthada I Branch

No. 49, U Wisarra St. Pha Tar Gyi Ward, Hinthada Township, Ayeyarwady, Myanmar
Phone: 95-9-960996099

Hlaing Branch

No. 101, Tha Yet Taw(3) Upper St. Tha Yet Taw Ward, Kyimyindaing Township, Yangon, Myanmar
Phone: 95-9-960996089

Hinthada II Branch

No. 93, Nat Maw St. Panbetan Ward, Hinthada Township, Ayeyarwady, Myanmar
Phone: 95-9-961010611

Hinthada III Branch

No. 93, Nat Maw St. Panbetan Ward, Hinthada Township, Ayeyarwady, Myanmar
Phone: 95-9-961010611

Twantay Branch

No. 49, Bo Kyoke St. Kon Gyan(Middle) Ward, Twantay Township, Yangon, Myanmar
Phone: 95-9-961010511

Pyapon I Branch

No. 18C, 8th St. 9th Ward, Pyapon Township, Ayeyarwady, Myanmar
Phone: 95-9-950311093

Pyapon II Branch

No. 18C, 8th St. 9th Ward, Pyapon Township, Ayeyarwady, Myanmar
Phone: 95-9-950311096

Pantanaw I Branch

No. 1, Sel Myaung St. Myo Kwet Thit 1, Pantanaw Township, Ayeyarwady, Myanmar
Phone: 95-9-764433931

Pantanaw II Branch

No. 1, Sel Myaung St. Myo Kwet Thit 1, Pantanaw Township, Ayeyarwady, Myanmar
Phone: 95-9-764433932

Gyobingauk I Branch

No. 154, Ashay Myopat St. Pan Tin Ward, Gyobingauk Township, Bago, Myanmar
Phone: 95-9-764433935

Gyobingauk I Branch

No. 154, Ashay Myopat St. Pan Tin Ward, Gyobingauk Township, Bago, Myanmar
Phone: 95-9-764433936

Zigon Branch

Hlaing Htate Khaung Tin St. No. 1 Ward, Zigon Township, Bago, Myanmar
Phone: 95-9-780-113417

Paungde I Branch

Plot No. 79, Shwetaung Street, Min Kwet 3, Ward, Paungde Township, Bago, Myanmar
Phone: 95-9-780114012

Paungde II Branch

Plot No. 79, Shwetaung Street, Min Kwet 3, Ward, Paungde Township, Bago, Myanmar
Phone: 95-9-780114068

Lewe I Branch

No. 17 Plot, Min Wine Yat, No. 4 Ward, Lewe Township, Nay Pyi Taw, Myanmar
Phone: 95-9-402187901

Pyinmana I Branch

No. 181, Yarza Htarni St. Aung Thar Yar Ward, Pobbathiri Township, Nay Pyi Taw, Myanmar
Phone: 95-9-402187923

Pyinmana II Branch

No. 181, Yarza Htarni St. Aung Thar Yar Ward, Pobbathiri Township, Nay Pyi Taw, Myanmar
Phone: 95-9-402187924

Lewe II Branch

No. 241, Office Street, Min Wine Yat, No. 4 Ward, Lewe Township, Nay Pyi Taw, Myanmar
Phone: 95-9-441580466

Dekkhinathiri Branch

No. Da-2410, Wai Da 10 St. Dekkhinathiri Township, Nay Pyi Taw, Myanmar
Phone: 95-9-441580468

Lewe III Branch

No. 241, Office Street, Min Wine Yat, No. 4 Ward, Lewe Township, Nay Pyi Taw, Myanmar
Phone: 95-9-403663020

Takkon I Branch

No. (ma-127), Yin Mar Street, Area (3), Mya Waddy Ward, Takkon Township, Nay Pyi Taw, Myanmar
Phone: 95-9-441473341

Takkon II Branch

No. 93, Thatoeminsaw Yat, Aung Zaya Ward, Takkon Township, Nay Pyi Taw, Myanmar
Phone: 95-9-441481276

Ottarathiri Branch

No. Ou-1513, Shwe Nant Thar Ward, Ottarathiri Township,
Nay Pyi Taw, Myanmar
Phone: 95-9-893642032

Nattalin Branch

No.52, Apyin Tharzi Street, Tharzi Ward, Nattalin Township,
Bago, Myanmar
Phone: 95-9-773579731

PHILIPPINES**Wealth Development Bank**

Taft Financial Center, Cardinal Rosales Avenue, Cebu
Business Park, Cebu City, Cebu, Philippines
Phone: 63-32-415-5265

Alabang Branch

Unit 103, South Center Tower Condominium 2206 Market
Street, Madrigal Business Par Alabang, Muntinlupa City,
Philippines
Phone: 63-2-801-5335

Angeles Marquee Mall Branch

Ground Floor, Marquee Mall, Don Bonifacio St., Pulung
Maragul Angeles City, Pampanga, Philippines
Phone: 63-45-624-0072

Legazpi Pacific Mall Branch

G/F Expansion II, Pacific Mall Legazpi, Landco Business
Park, F. Imperial Street Cor. Circumferential Road, Legazpi
City 4500, Philippines
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, Philippines
Phone: 63-42-795-3771

Taguig Market Market Branch

Ground Floor, Play Ground Zone, Metro Market Market Mall,
Mckinley Parkway, Fort Bonifacio Global City, Taguig City,
Philippines
Phone: 63-2-889-0275

Cebu Ayala Branch

Ground Floor, Taft Financial Center, Cardinal Rosales
Avenue, Cebu Business Park, Brgy. Luz, Cebu City,
Philippines
Phone: 63-32-415-4888

Cebu Ramos Branch

Ground Floor, Hilaro Chu Bldg., No. 148 F. Ramos St. Santa
Cruz, Cebu City, Philippines
Phone: 63-32-412-6302

Cebu Carbon Branch

Ground Floor, M.C. Briones & Plaridel Sts., Cebu City,
Philippines
Phone: 63-32-416-9077

Cebu Mandaue Branch

Ground Floor, G/F Meritz Building, A.C. Cortes Ave. Ibabao,
Mandaue City, Cebu, Philippines
Phone: 63-343-8144

Cebu Tabunok Branch

Ground Floor, AGSy Bldg., National Hi-Way, Tabunok Talisay
City, Cebu, Philippines
Phone: 63-32-272-2955

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, Philippines
Phone: 63-32-239-1072

Cebu Mambaling Branch

G/F Metro Store Mambaling, Cebu, N. Bacalso Avenue corner
F. Llamas Street, Basak San Nicolas, Cebu City, Philippines
Phone: 63-32-414-4233

Tagbilaran Banking Center

Ground Floor, No. 15 JS Torralba St., Poblacion 2, Tagbilaran
City, Bohol, Philippines
Phone: 63-38-411-4860

Iloilo Banking Center

Ground Floor, ACCE Bldg., Mabini Ledesma St., Liberation,
Iloilo City, Philippines
Phone: 63-33-338-4419

Cagayan De Oro Banking Center

Ground Floor, Jammin Lui Bldg., corner A. Velez & Gomez
Sts. Poblacion, Cagayan de Oro City, Misamis Oriental,
Philippines
Phone: 63-88-856-8974

Davao Branch

Ground Floor, Door 8, 9 & 10 Grand MenSeng Hotel Pichon
St., 1-E Poblacion, Davao City, Davao del Sur, Philippines
Phone: 63-82-225-3318

Tacloban Branch

Sukwan Bldg, corner Real and Burgos Streets, Tacloban City,
Philippines
Phone: 63-53-832-3435

Caloocan Branch

Rizal Avenue Extension, East Grace Park, Caloocan 1400,
Metro Manila, Philippines
Phone: 63-2-930-5126

Gensan Branch

Gaisano mall, Jose Catolico Sr. Avenue, General Santos City,
South Cotabato, Philippines
Phone: 63-83-250-1238

Dumaguete Branch

1F Jose Building South Road Calindagan, Dumaguete City,
Philippines
Phone: 63-35-523-5532

Bacolod Branch

Lacson-Luzuriaga Streets, Bacolod City, Negros Occidental,
Philippines
Phone: 63-34-447-0227

Butuan Branch

JC Aquino Ave, corner Pareja Subdivision, Butuan City,
Mindanao, Philippines
Phone: 63-917-870-7390

Naga Branch

Ground Floor, Super Metro Camarines Sur, Panganiban
Drive, Naga City, Casmrines Sur, Philippines
Phone: 63-54-881-2836

Baguio Branch

NRC Building, Abanao Street, Baguio City, Benguet,
Cordillera Administrative Region, Philippines
Phone: 63-74-665-2394

Binondo Branch

Lucky Chinatown Mall, Reina Regente St. Binondo, Manila,
National Capital Region, Philippines

VIETNAM**Woori Bank Vietnam**

34F, Keangnam Landmark 72, E6 Pham Hung Road, Tu Liem
District, Hanoi, Vietnam
Phone: 84-4-7300-6802

Hanoi Branch

24F, Keangnam Landmark 72, E6 Pham Hung Road, Tu Liem
District, Hanoi, Vietnam
Phone: 84-4-3831-5281

Hochiminh Branch

13832 2 Floor, Kumho Asiana Plaza Saigon, 39 Le Duan St.,
Dist 1, HCMC, Vietnam
Phone: 84-8-3821-9839

Bac Ninh Branch

1-2 Floor Halla Bld, Yen Phong Industrial Zone, Yen Trung
Commune, Yen Phong District, Bac Ninh Province, Vietnam
Phone: 84-222-369-9431

Hai Phong Branch

NO. 4, Lot 22A, Le Hong Phong Street (Cat Bi Airport New
Urban Area), Dong Khe Ward, Ngo Quyen District, Hai Phong
City, Vietnam
Phone: 84-255-730-0101

Thai Nguyen Branch

12nd Floor, Gate 1, Samsung Electronics Vietnam Co.,Ltd.
Thai Nguyen, Yen Binh Industrial Zone, Dong Tien ward, Pho
Yen town, Thai Nguyen Province, Vietnam
Phone: 84-208-730-0010

Binh Duong Branch

10th Floor, Becamex Building, No.230, Binh Duong
boulevard, Thu Dau Mot City, Binh Duong Province, Vietnam
Phone: 84-274-222-2631

Phu My Hung Transaction Office

Unit SA-01, Riverpark Residence Complex, 341 Ha Huy Tap
Street, Tan Phong Ward, District 7, Ho Chi Minh City, Vietnam
Phone: 84-28-7303-0510

Dong Nai Branch

Ton Duc Thang road, Nhon Trach 3 Industrial Zone, Phase1,
Hiep Phuoc, ward, Nhon Trach district, Dong Nai Provincem
Vietnam
Phone: 84-251-730-0370

GERMANY**Woori Bank Europe**

MesseTurm, 29th floor, Friedrich-Ebert-Anlage 49, 60308,
Frankfurt am Main, Germany
Phone: +49(0)69-299-254-0

Woori Bank Kuala Lumpur Representative Office

Unit 4129/4130, 41/F, Vista Tower, The Intermark 182 Jalan
Tun Razak, Kuala Lumpur 50400, Malaysia
Phone: 60-3-2163-8288

Woori Bank Yangon, Myanmar Office

No.115(A) First Floor, Pyay Road, 10 Miles, Insein
Township, Yangon, Myanmar
Phone: 95-1-646951

Woori Bank Iran Representative Office

1st Floor, No; 18, J St., Moghadas Ardebili St., Mahmodiyeh,
Tehran, Iran
Phone: 98-22-04-6975/98-90-3826-3169

Woori Bank Poland Represetative Office

Uniwersytecka 13, 40-007, Katowice, Poland
Phone: 48-323-076-417

Contact Information

Directed by

Kim, Eun Kyung(Christine)

Woori Bank, Finance & Planning Dept.

Tel: 82-2-2002-5042

ekk@wooribank.com

Created by

Lee, Eun Hwoa

Lucre Inc.

Tel: 82-2-542-6725

www.lucrebeyond.com

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Han, Ze Hun

ROUND TABLE

Tel: 82-2-3288-6005

www.roundtableic.com



51, Sogong-ro(203, Hoehyeon-dong 1-ga), Jung-gu, Seoul, 04632, Korea

Tel. +82-2-2002-3000

www.wooribank.com