

WOORI BANK
Form 20-F
April 29, 2016
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As filed with the Securities and Exchange Commission on April 29, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report

For the transition period from to

Commission file number 001-31811

Woori Bank

(Exact name of Registrant as specified in its charter)

Woori Bank

(Translation of Registrant's name into English)

The Republic of Korea

(Jurisdiction of incorporation or organization)

51, Sogong-ro, Jung-gu, Seoul 04632, Korea

(Address of principal executive offices)

Kyung Cheon Lim

51, Sogong-ro, Jung-gu, Seoul 04632, Korea

Telephone No.: +82-2-2125-2085

Facsimile No.: +82-2-0505002-8851

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing three shares of Common Stock Common Stock, par value 5,000 per share	New York Stock Exchange New York Stock Exchange*

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

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Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

673,271,226 shares of Common Stock, par value 5,000 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated Filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued
by the International Accounting Standards Board

Other

If other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

* Not for trading, but only in connection with the registration of the American Depositary Shares.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The financial statements included in this annual report are prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB.

Unless expressly stated otherwise, all financial data included in this annual report are presented on a consolidated basis.

Prior to November 1, 2014, we, Woori Bank, were a wholly-owned subsidiary of Woori Finance Holdings Co., Ltd. On November 1, 2014, Woori Finance Holdings merged with and into us, such that we remained as the surviving entity, and Woori Finance Holdings ceased to exist, after the merger. In connection with the merger, shareholders of Woori Finance Holdings recorded in its shareholder register as of November 1, 2014 received one share of our common stock for each share of common stock of Woori Finance Holdings they held.

As a result of the merger, the other former subsidiaries of Woori Finance Holdings, including Woori Card Co., Ltd., Woori Private Equity Co., Ltd., Woori FIS Co., Ltd., Woori Investment Bank, Ltd. and Woori Finance Research Institute Co., Ltd., became our subsidiaries. Accordingly, our overall business and operations after the merger, on a consolidated basis, are substantially identical to those of Woori Finance Holdings on a consolidated basis prior to the merger. See Item 4A. History and Development of the Company Privatization Plan Merger with Woori Finance Holdings.

The merger constituted a succession for purposes of Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended, such that our common stock was deemed registered under Section 12(b) of the Exchange Act by operation of Rule 12g-3(a). Following the merger, we file reports under the Exchange Act as the successor issuer to Woori Finance Holdings.

The merger qualified as a business combination under common control for accounting purposes. Accordingly, we recognized the transferred assets and liabilities of Woori Finance Holdings at their book value and did not recognize any goodwill in connection with the merger. The consolidated financial statements included in this annual report are, as of dates and for periods prior to the date of the merger, for Woori Finance Holdings and its subsidiaries (including us) and, as of dates and for periods from and after the date of the merger, for us and our subsidiaries. For further information regarding the accounting treatment of the merger, see Note 50 of the notes to our consolidated financial statements.

Dispositions and other transactions that we have effected in recent years may affect the direct comparability of the historical financial information included in this annual report as of and for different dates and periods. The Korean government, which currently owns 51.06% of our outstanding common stock through the Korea Deposit Insurance Corporation, or the KDIC, has been implementing a privatization plan with respect to Woori Finance Holdings and its former subsidiaries, including us. Pursuant to such plan, in May 2014, Woori Finance Holdings established KJB Financial Group Co., Ltd. and KNB Financial Group Co., Ltd. through a spin-off of its businesses related to the holding of the shares and thereby controlling the business operations of Kwangju Bank and Kyongnam Bank, respectively. As a result of such spin-off, KJB Financial Group became the owner of the shares of Kwangju Bank previously held by Woori Finance Holdings, and KNB Financial Group became the owner of the shares of Kyongnam Bank previously held by Woori Finance Holdings. Woori Finance Holdings no longer owned any shares of Kwangju Bank or Kyongnam Bank, and neither they nor their new holding companies were its subsidiaries, after the spin-off. Following such spin-off, each of these banks was merged with its holding company, and in October 2014, the KDIC sold its 56.97% ownership interest in Kwangju Bank and Kyongnam Bank to JB Financial Group and BS Financial Group, respectively. In addition, in March 2014, Woori Finance Holdings sold its 52.0% ownership interest in Woori Financial Co., Ltd. to KB Financial Group Inc. In May 2014, Woori Finance Holdings also sold its 100.0% ownership interest in Woori Asset Management Co., Ltd. to Kiwoom Securities Co., Ltd. and sold its 100.0% ownership interest in Woori F&I to Daishin Securities Co., Ltd. In June 2014, Woori Finance Holdings sold its 37.9% ownership interest in Woori Investment & Securities Co., Ltd., its 51.6% ownership interest in Woori Aviva Life Insurance Co., Ltd. and its 100.0% ownership interest in Woori FG Savings Bank to NongHyup Financial Group Inc. in a collective sale. As a result of such sales, Woori Investment & Securities, Woori Asset Management, Woori Aviva Life Insurance, Woori FG

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Savings Bank, Woori F&I and Woori Financial were no longer subsidiaries of Woori Finance Holdings, and it no longer owned any shares in such former subsidiaries. See Item 4A. History and Development of the Company Privatization Plan.

In light of such dispositions during 2014, Kwangju Bank, Kyongnam Bank, Woori Investment & Securities, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I were classified as a disposal group held for distribution or sale, and their operations were accounted for as discontinued operations, in our consolidated statements of financial position and comprehensive income as of and for the year ended December 31, 2013, as well as in our consolidated statement of comprehensive income for the year ended December 31, 2014, included in this annual report. Similarly, information derived from our consolidated statement of comprehensive income for the years ended December 31, 2011 and 2012 was restated to account for such entities as discontinued operations. However, information derived from our consolidated statements of financial position as of December 31, 2011 and 2012 was not so restated. Accordingly, in general, our financial information as of December 31, 2013 and 2014 and for the years ended December 31, 2011, 2012, 2013 and 2014 appearing in this annual report does not include financial data with respect to such discontinued operations, while our financial information as of December 31, 2011 and 2012 appearing in this annual report includes financial data with respect to such discontinued operations. As a result, our financial information as of December 31, 2011 and 2012 may not be directly comparable to our financial information as of and for other dates and periods.

In this annual report:

unless otherwise indicated or required by the context, we, us, our and similar terms refer to Woori Bank and its subsidiaries and, for periods prior to the merger of Woori Finance Holdings with and into Woori Bank, refer to Woori Finance Holdings and its subsidiaries for such periods (including Woori Bank), but excluding those accounted for as discontinued operations;

references to Korea or are to the Republic of Korea;

references to the government are to the government of the Republic of Korea;

references to Won or are to the currency of Korea; and

references to U.S. dollars, \$ or US\$ are to United States dollars.

Discrepancies between totals and the sums of the amounts contained in any table may be a result of rounding.

For your convenience, this annual report contains conversions of Won amounts into U.S. dollars at the noon buying rate of the Federal Reserve Bank of New York for Won in effect on December 31, 2015, which was 1,169.3 = US\$1.00.

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FORWARD-LOOKING STATEMENTS

The U.S. Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This annual report contains forward-looking statements.

Words and phrases such as aim, anticipate, assume, believe, contemplate, continue, estimate, expect, future, goal, intend, positioned, predict, project, risk, seek to, shall, should, will likely result, will pursue and words and terms of similar substance used in connection with any discussion of future operating or financial performance or our expectations, plans, projections or business prospects identify forward-looking statements. In particular, the statements under the headings Item 3D. Risk Factors, Item 4B. Business Overview and Item 5. Operating and Financial Review and Prospects regarding our financial condition and other future events or prospects are forward-looking statements. All forward-looking statements are management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

In addition to the risks related to our business discussed under Item 3D. Risk Factors, other factors could cause actual results to differ materially from those described in the forward-looking statements. These factors include, but are not limited to:

a change or delay in, or cancellation of, the Korean government's privatization plan with respect to us;

our ability to successfully implement our strategy;

future levels of non-performing loans;

our growth and expansion;

the adequacy of allowances for credit and other losses;

technological changes;

interest rates;

investment income;

availability of funding and liquidity;

our exposure to market risks; and

adverse market and regulatory conditions.

By their nature, certain disclosures relating to these and other risks are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on our income or results of operations could materially differ from those that have been estimated. For example, revenues could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

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In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this annual report could include, but are not limited to:

general economic and political conditions in Korea or other countries that have an impact on our business activities or investments;

the monetary and interest rate policies of Korea;

inflation or deflation;

unanticipated volatility in interest rates;

foreign exchange rates;

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prices and yields of equity and debt securities;

the performance of the financial markets in Korea and globally;

changes in domestic and foreign laws, regulations and taxes;

changes in competition and the pricing environment in Korea; and

regional or general changes in asset valuations.

For further discussion of the factors that could cause actual results to differ, see the discussion under **Item 3D. Risk Factors** contained in this annual report. We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this annual report. Except as required by law, we are not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

All subsequent forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this annual report.

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable

Item 3. KEY INFORMATION

Item 3A. *Selected Financial Data*

The selected consolidated financial and operating data set forth below as of and for the years ended December 31, 2011, 2012, 2013, 2014 and 2015 have been derived from our audited consolidated financial statements, which have been prepared in accordance with IFRS as issued by the IASB. Our consolidated financial statements as of and for the years ended December 31, 2011, 2012, 2013, 2014 and 2015 have been audited by Deloitte Anjin LLC, an independent registered public accounting firm.

The Korean government, which currently owns 51.06% of our outstanding common stock through the KDIC, has been implementing a privatization plan with respect to Woori Finance Holdings and its former subsidiaries, including us. As a result of the dispositions of Woori Finance Holdings' ownership interests in Kwangju Bank, Kyongnam Bank, Woori Investment & Securities, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I in 2014, these former subsidiaries of Woori Finance Holdings were classified as a disposal group held for distribution or sale in our consolidated statement of financial position as of December 31, 2013 (but not as of prior dates) and have been accounted for as discontinued operations in our consolidated statements of comprehensive income for the years ended December 31, 2011, 2012, 2013 and 2014. See **Item 4A. History and Development of the Company Privatization Plan**.

You should read the following data together with the more detailed information contained in **Item 5. Operating and Financial Review and Prospects** and our consolidated financial statements included elsewhere in this annual report. Historical results do not necessarily predict future results.

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	2011 ⁽¹⁾	2012 ⁽¹⁾⁽²⁾	Year ended December 31, 2013 ⁽¹⁾⁽²⁾ 2014 ⁽¹⁾⁽²⁾		2015 ⁽²⁾	2015 ⁽²⁾⁽³⁾	
		(in billions of Won except per share data)					(in millions of US\$ except per share data)
Interest income	11,095	10,891	9,493	9,211	8,698	US\$ 7,438	
Interest expense	(6,206)	(6,043)	(5,001)	(4,718)	(3,936)	(3,366)	
Net interest income	4,889	4,848	4,492	4,493	4,762	4,072	
Fees and commissions income	1,625	1,687	1,565	1,598	1,757	1,503	
Fees and commissions expense	(444)	(498)	(639)	(681)	(781)	(668)	
Net fees and commissions income	1,181	1,189	926	917	976	835	
Dividend income	143	101	88	97	103	88	
Net gain (loss) on financial assets at fair value through profit or loss	137	(365)	124	190	240	206	
Net gain (loss) on available-for-sale financial assets	1,027	533	(85)	(69)	(3)	(3)	
Impairment losses due to credit loss	(1,923)	(1,799)	(2,277)	(1,097)	(966)	(826)	
Net other operating expenses ⁽⁴⁾	(3,163)	(2,958)	(3,028)	(3,633)	(3,761)	(3,216)	
Operating income	2,291	1,549	240	898	1,351	1,156	
Share of gain (loss) of joint ventures and associates	(39)	45	(1)	(68)	(70)	(60)	
Other net non-operating income (expense)	90	44	49	4	171	146	
Non-operating income (loss)	51	89	48	(64)	101	86	
Net income before income tax expense	2,342	1,638	288	834	1,452	1,242	
Income tax expense	559	357	35	288	377	322	
Net income from continuing operations	1,783	1,281	253	546	1,075	920	
Net income (loss) from discontinued operations	668	566	(966)	662			
Net income (loss)	2,451	1,847	(713)	1,208	1,075	US\$ 920	
Remeasurement of the net defined benefit liability	(18)	(51)	9	(52)	(78)	(67)	
Items that will not be reclassified to profit or loss	(18)	(51)	9	(52)	(78)	(67)	
Gain (loss) on available-for-sale financial assets	(375)	(349)	(51)	(75)	72	61	
Share of other comprehensive income (loss) of joint ventures and associates	(38)	57	(6)	(2)	3	3	
Gain (loss) on foreign currency translation of foreign operations	25	(108)	(60)	48	34	29	
Gain (loss) on valuation of cash flow hedge	3	13	(2)	(27)			
Items that may be reclassified to profit or loss	(385)	(387)	(119)	(56)	109	93	
Other comprehensive gain (loss), net of tax	(403)	(438)	(110)	(108)	31	26	
Total comprehensive income (loss)	2,048	1,409	(823)	1,100	1,106	US\$ 946	
Net income (loss) attributable to owners	2,154	1,633	(538)	1,214	1,059	US\$ 906	
Income from continuing operations	1,636	1,164	162	435	1,059	906	
Income (loss) from discontinued operations	518	469	(700)	779			
Net income (loss) attributable to non-controlling interests	297	214	(175)	(6)	16	US\$ 14	
Income from continuing operations	147	117	91	111	16	14	
Income (loss) from discontinued operations	150	97	(266)	(117)			
Comprehensive income (loss) attributable to owners	1,729	1,177	(623)	1,192	1,095	936	
Comprehensive income (loss) attributable to non-controlling interests	319	232	(200)	(92)	11	10	

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Basic and diluted earnings (loss) from continuing and discontinued operations per share	2,670	1,993	(704)	1,621	1,301	US\$	1.52
Basic and diluted earnings from continuing operations per share	2,027	1,411	165	536	1,301		1.52
Per common share data:							
Net income (loss) per share basic	2,670	1,993	(704)	1,621	1,301	US\$	1.52
Weighted average common shares outstanding basic (in thousands)	806,013	806,013	806,013	718,265	673,271		673,271
Net income (loss) per share diluted	2,670	1,993	(704)	1,621	1,301	US\$	1.52
Weighted average common shares outstanding diluted (in thousands)	806,013	806,013	806,013	718,265	673,271		673,271
Cash dividends paid per share	250	250		500	500	US\$	0.58

(1) The amounts for 2011, 2012, 2013 and 2014 reflect the classification of certain former subsidiaries as discontinued operations.

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- (2) The amounts for 2013, 2014 and 2015 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which became effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts for 2012 (but not for 2011) were restated to retroactively apply such change.
- (3) Won amounts are expressed in U.S. dollars at the rate of 1,169.3 to US\$1.00, the noon buying rate in effect on December 31, 2015 as quoted by the Federal Reserve Bank of New York in the United States.
- (4) For a description of net other operating expenses, see Note 40 of the notes to our consolidated financial statements.

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	2011	2012 ⁽¹⁾	As of December 31, 2013 ⁽¹⁾⁽²⁾ 2014 ⁽¹⁾ (in billions of Won)		2015 ⁽¹⁾	2015 ⁽¹⁾⁽³⁾ (in millions of US\$)
Assets						
Cash and cash equivalents	6,417	5,778	5,478	5,963	6,644	US\$ 5,682
Financial assets at fair value through profit or loss	25,600	27,352	4,806	4,554	5,133	4,390
Available-for-sale financial assets	19,672	18,889	17,085	18,811	17,171	14,685
Held-to-maturity financial assets	20,036	18,685	12,039	13,044	13,622	11,649
Loans and receivables	235,160	250,276	211,912	223,370	244,842	209,392
Investments in joint ventures and associates	928	1,038	618	648	644	551
Investment properties	499	492	341	358	351	301
Premises and equipment	3,134	3,186	2,536	2,501	2,471	2,113
Intangible assets and goodwill	448	433	269	296	420	359
Assets held for sale	56	83	1	8	18	15
Current tax assets	57	39	143	5	7	6
Deferred tax assets	80	155	155	258	210	180
Derivative assets	327	281	131	196	183	157
Other assets ⁽⁴⁾	377	415	179	145	143	123
Disposal group held for sale			34,685			
Disposal group held for distribution to owners			50,312			
Total assets	312,791	327,102	340,690	270,157	291,859	US\$ 249,603
Liabilities						
Financial liabilities at fair value through profit or loss	9,622	10,986	2,507	2,675	3,461	US\$ 2,960
Deposits due to customers	195,930	204,210	175,324	188,516	209,142	178,861
Borrowings	34,667	33,480	18,232	17,708	20,034	17,133
Debentures	29,266	27,960	21,678	24,796	21,899	18,728
Provisions	892	864	685	692	517	442
Net defined benefit liability	120	166	72	75	99	85
Current tax liabilities	274	179	10	299	109	93
Deferred tax liabilities	260	134	49	22	19	17
Derivative liabilities	33	38	2			
Other financial liabilities ⁽⁵⁾	19,084	25,544	19,914	16,890	16,964	14,508
Other liabilities ⁽⁶⁾	570	508	410	391	305	261
Liabilities directly associated with disposal group held for sale			32,048			
Liabilities directly associated with disposal group held for distribution to owners			46,882			
Total liabilities	290,718	304,069	317,813	252,064	272,549	US\$ 233,088
Equity						
Owners equity						
Capital stock	4,030	4,030	4,030	3,381	3,381	US\$ 2,892
Hybrid securities	309	498	498	2,539	3,334	2,851
Capital surplus	176	174	177	291	294	252
Other equity ⁽⁷⁾	563	112	(35)	(2,393)	(1,547)	(1,323)
Retained earnings	12,446	13,881	13,113	14,165	13,726	11,739
Equity directly associated with disposal group held for sale			30			
Equity directly associated with disposal group held for distribution to owners			36			
Non-controlling interests	4,549	4,338	5,028	110	122	104
Total equity	22,073	23,033	22,877	18,093	19,310	US\$ 16,515
Total liabilities and equity	312,791	327,102	340,690	270,157	291,859	US\$ 249,603

- (1) The amounts as of December 31, 2013, 2014 and 2015 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which became effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts as of December 31, 2012 (but not as of December 31, 2011) were restated to retroactively apply such change.
- (2) The amounts as of December 31, 2013 reflect the classification of certain former subsidiaries as a disposal group held for distribution or sale.
- (3) Won amounts are expressed in U.S. dollars at the rate of 1,169.3 to US\$1.00, the noon buying rate in effect on December 31, 2015 as quoted by the Federal Reserve Bank of New York in the United States.
- (4) For a description of other assets, see Note 19 of the notes to our consolidated financial statements.
- (5) For a description of other financial liabilities, see Note 25 of the notes to our consolidated financial statements.
- (6) For a description of other liabilities, see Note 25 of the notes to our consolidated financial statements.
- (7) For a description of other equity, see Note 30 of the notes to our consolidated financial statements.

Table of Contents**Profitability Ratios and Other Data**

	Year ended December 31,				
	2011 ⁽¹⁾	2012 ⁽¹⁾⁽²⁾	2013 ⁽¹⁾⁽²⁾	2014 ⁽¹⁾⁽²⁾	2015 ⁽²⁾
	(in billions of Won except percentages)				
Return on average assets ⁽³⁾	0.90%	0.67%	(0.22)%	0.47%	0.37%
Return on average equity ⁽⁴⁾	14.20	10.46	(3.45)	6.74	5.62
Net interest spread ⁽⁵⁾	2.01	1.94	1.83	1.72	1.67
Net interest margin ⁽⁶⁾	2.14	2.07	1.94	1.82	1.74
Cost-to-income ratio ⁽⁷⁾	46.12	50.79	59.30	68.38	66.22
Average equity as a percentage of average total assets	6.36	6.39	6.50	7.03	6.63
Total revenue ⁽⁸⁾	14,027	12,847	11,185	11,027	10,795
Operating expense ⁽⁹⁾	9,813	9,499	8,668	9,032	8,478
Operating margin ⁽¹⁰⁾	4,214	3,348	2,517	1,995	2,317
Operating margin as a percentage of total revenue	30.04%	26.06%	22.50%	18.09%	21.46%

(1) The amounts for 2011, 2012, 2013 and 2014 exclude certain former subsidiaries classified as discontinued operations.

(2) The amounts for 2013, 2014 and 2015 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which became effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts for 2012 (but not for 2011) were restated to retroactively apply such change.

(3) Represents net income attributable to owners as a percentage of average total assets. Average balances are based on daily balances for us and on quarterly balances for all of our subsidiaries and our structured companies.

(4) Represents net income attributable to owners as a percentage of average equity. Average balances are based on daily balances for us and on quarterly balances for all of our subsidiaries and our structured companies.

(5) Represents the difference between the yield on average interest-earning assets and cost of average interest-bearing liabilities.

(6) Represents the ratio of net interest income to average interest-earning assets.

(7) Represents the ratio of non-interest expense (excluding impairment losses due to credit loss) to the sum of net interest income and non-interest income.

(8) Represents the sum of interest income, dividend income, fees and commissions income, net gain (loss) on financial assets at fair value through profit or loss and net gain (loss) on available-for-sale financial assets.

The following table shows how total revenue is calculated:

	Year ended December 31,				
	2011 ^(a)	2012 ^{(a)(b)}	2013 ^{(a)(b)}	2014 ^{(a)(b)}	2015 ^(b)
	(in billions of Won)				
Interest income	11,095	10,891	9,493	9,211	8,698
Fees and commissions income	1,625	1,687	1,565	1,598	1,757
Dividend income	143	101	88	97	103
Net gain (loss) on financial assets at fair value through profit or loss	137	(365)	124	190	240
Net gain (loss) on available-for-sale financial assets	1,027	533	(85)	(69)	(3)
Total revenue	14,027	12,847	11,185	11,027	10,795

(a) The amounts for 2011, 2012, 2013 and 2014 exclude certain former subsidiaries classified as discontinued operations.

(b) The amounts for 2013, 2014 and 2015 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which became effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts for 2012 (but not for 2011) were restated to retroactively apply such change.

(9) Represents interest expense, fees and commissions expense and net other operating expense, excluding impairment losses due to credit loss of 1,923 billion, 1,799 billion, 2,277 billion, 1,097 billion and 966 billion for 2011, 2012, 2013, 2014 and 2015, respectively.

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The following table shows how operating expense is calculated:

	Year ended December 31,				
	2011 ^(a)	2012 ^{(a)(b)}	2013 ^{(a)(b)}	2014 ^{(a)(b)}	2015 ^(b)
	(in billions of Won)				
Interest expense	6,206	6,043	5,001	4,718	3,936
Fees and commissions expense	444	498	639	681	781
Net other operating expenses	3,163	2,958	3,028	3,633	3,761
Operating expense	9,813	9,499	8,668	9,032	8,478

(a) The amounts for 2011, 2012, 2013 and 2014 exclude certain former subsidiaries classified as discontinued operations.

(b) The amounts for 2013, 2014 and 2015 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which became effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts for 2012 (but not for 2011) were restated to retroactively apply such change.

⁽¹⁰⁾ Represents total revenue less operating expense.

Asset Quality Data

	As of December 31,				
	2011	2012 ⁽¹⁾	2013 ⁽¹⁾⁽²⁾	2014 ⁽¹⁾	2015 ⁽¹⁾
	(in billions of Won, except percentages)				
Total loans ⁽³⁾	212,492	221,028	193,766	207,077	227,169
Total non-performing loans ⁽⁴⁾	3,780	3,766	4,996	3,818	2,909
Other impaired loans not included in non-performing loans ⁽⁵⁾	238	698	690	692	339
Total non-performing loans and other impaired loans ⁽⁵⁾	4,018	4,464	5,685	4,510	3,248
Total allowance for credit losses	3,759	3,565	3,337	2,609	2,051
Non-performing loans as a percentage of total loans	1.78%	1.70%	2.58%	1.84%	1.28%
Non-performing loans as a percentage of total assets	1.21	1.15	1.47	1.41	1.00
Total non-performing loans and other impaired loans as a percentage of total loans	1.89	2.02	2.93	2.18	1.43
Allowance for credit losses as a percentage of total loans	1.77	1.61	1.72	1.26	0.90

(1) The amounts as of December 31, 2013, 2014 and 2015 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which became effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts as of December 31, 2012 (but not as of December 31, 2011) were restated to retroactively apply such change.

(2) The amounts as of December 31, 2013 exclude certain former subsidiaries classified as a disposal group held for distribution or sale.

(3) Not including due from banks and other receivables, and prior to deducting allowance for credit losses and present value discount or reflecting deferred origination costs.

(4) Defined as those loans that are past due by 90 days or more or classified as substandard or below based on the Financial Services Commission's asset classification criteria. See Item 4B. Business Overview Assets and Liabilities Asset Quality of Loans Loan Classifications.

(5) Other impaired loans as of December 31, 2011 and 2012 exclude securitized loans purchased from third parties and held by Woori F&I, a former wholly-owned subsidiary, in the aggregate amount of 980 billion and 1,207 billion, respectively. While such securitized loans qualify as other impaired loans under IFRS and are accounted for as such in our consolidated financial statements, the expected losses on such securitized loans were reflected in the determination of their fair value at initial recognition. Accordingly, we believe that the exclusion of such securitized loans from other impaired loans eliminates the potential distorting effect they might have on the ratio of total non-performing loans and other impaired loans to total loans as of such dates presented in the above table. Other impaired loans as of December 31, 2013 exclude such securitized loans that were held by Woori F&I as of such date, which were classified as part of a disposal group held for sale. Woori F&I was sold in April 2014. See Item 4A. History and Development of the Company Privatization Plan.

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The following tables show our average balances and interest rates for the past three years (excluding discontinued operations for 2013 and 2014):

	Year ended December 31,								
	2013			2014			2015		
	Average Balance ⁽¹⁾	Interest Income ⁽²⁾	Average Yield	Average Balance ⁽¹⁾	Interest Income ⁽²⁾	Average Yield	Average Balance ⁽¹⁾	Interest Income ⁽²⁾	Average Yield
(in billions of Won, except percentages)									
Assets									
Interest-earning assets									
Due from banks	9,088	120	1.32%	11,710	104	0.89%	12,483	81	0.65%
Loans ⁽³⁾									
Commercial and industrial	82,875	4,062	4.90	89,030	3,992	4.48	95,241	3,502	3.68
Trade financing	12,386	220	1.78	12,371	188	1.52	13,762	200	1.45
Other commercial	9,584	351	3.66	8,997	294	3.27	9,890	241	2.44
General purpose household ⁽⁴⁾	58,770	2,694	4.58	57,720	2,396	4.15	59,003	2,147	3.64
Mortgage	15,979	686	4.29	23,970	917	3.83	34,770	1,113	3.20
Credit cards ⁽²⁾	4,197	337	8.03	4,678	397	8.49	5,547	497	8.96
Total loans	183,791	8,350	4.54	196,766	8,184	4.16	218,213	7,700	3.53
Securities									
Trading	3,753	109	2.90	2,639	71	2.69	2,359	63	2.67
Investment ⁽⁵⁾	26,349	860	3.26	28,076	802	2.86	29,513	808	2.74
Total securities	30,102	969	3.22	30,715	873	2.84	31,872	871	2.73
Other	8,548	54	0.63	7,954	50	0.63	10,707	46	0.43
Total average interest earning assets	231,529	9,493	4.10	247,145	9,211	3.73	273,275	8,698	3.18
Total average non-interest earning assets	8,595			9,148			10,892		
Total average assets	240,124	9,493	3.95%	256,293	9,211	3.59%	284,167	8,698	3.06%

	Year ended December 31,								
	2013			2014			2015		
	Average Balance ⁽¹⁾	Interest Expense	Average Cost	Average Balance ⁽¹⁾	Interest Expense	Average Cost	Average Balance ⁽¹⁾	Interest Expense	Average Cost
(in billions of Won, except percentages)									
Liabilities									
Interest-bearing liabilities									
Deposits due to customers									
Demand deposits	9,397	38	0.40%	9,312	42	0.45%	8,376	43	0.51%
Time and savings deposits	140,981	3,369	2.39	153,789	3,190	2.07	168,212	2,573	1.53
Certificates of deposit	2,316	65	2.81	1,984	54	2.72	1,880	36	1.91
Other deposits	14,243	178	1.25	14,386	165	1.15	19,294	236	1.22
Total deposits	166,937	3,650	2.19	179,471	3,451	1.92	197,762	2,888	1.46
Borrowings	15,678	254	1.62	16,341	252	1.54	20,269	217	1.07
Debentures	21,994	961	4.37	23,218	885	3.81	23,232	708	3.05
Other	16,026	136	0.85	15,382	130	0.85	19,283	123	0.64

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Total average interest- bearing liabilities	220,635	5,001	2.27	234,412	4,718	2.01	260,546	3,936	1.51
Total average non-interest-bearing liabilities	3,879			3,861			4,787		
Total average liabilities	224,514	5,001	2.23	238,273	4,718	1.98	265,333	3,936	1.48
Total average equity	15,610			18,020			18,834		
Total average liabilities and equity	240,124	5,001	2.08%	256,293	4,718	1.84%	284,167	3,936	1.39%

(1) Average balances are based on daily balances for us and on quarterly balances for all of our subsidiaries and our structured companies.

(2) Interest income from credit cards is derived from interest on credit card loans and credit card installment purchases.

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- (3) Not including other receivables, and prior to deducting allowance for credit losses and present value discount or reflecting deferred origination costs.
(4) Includes home equity loans.
(5) Includes available-for-sale financial assets and held-to-maturity financial assets.

Analysis of Changes in Net Interest Income Volume and Rate Analysis

The following table provides an analysis of changes in interest income, interest expense and net interest income based on changes in volume and changes in rate for 2014 compared to 2013 and 2015 compared to 2014 (excluding discontinued operations for 2013 and 2014). Information is provided with respect to: (1) effects attributable to changes in volume (changes in volume multiplied by prior rate) and (2) effects attributable to changes in rate (changes in rate multiplied by prior volume). Changes attributable to the combined impact of changes in rate and volume have been allocated proportionately to the changes due to volume changes and changes due to rate changes.

	2014 vs. 2013 Increase/(decrease) due to changes in			2015 vs. 2014 Increase/(decrease) due to changes in		
	Volume	Rate	Total (in billions of Won)	Volume	Rate	Total
Interest-earning assets						
Due from banks	35	(51)	(16)	7	(30)	(23)
Loans ⁽¹⁾						
Commercial and industrial	302	(372)	(70)	278	(768)	(490)
Trade financing		(32)	(32)	21	(9)	12
Other commercial	(21)	(36)	(57)	29	(82)	(53)
General purpose household ⁽²⁾	(48)	(250)	(298)	53	(302)	(249)
Mortgage	343	(112)	231	414	(218)	196
Credit cards	39	21	60	74	26	100
Securities						
Trading	(32)	(6)	(38)	(8)		(8)
Investment ⁽³⁾	56	(114)	(58)	41	(35)	6
Other	(4)		(4)	17	(21)	(4)
Total interest income	670	(952)	(282)	926	(1,439)	(513)
Interest-bearing liabilities						
Deposits due to customers						
Demand deposits		4	4	(4)	5	1
Time and savings deposits	306	(485)	(179)	299	(916)	(617)
Certificate of deposit	(9)	(2)	(11)	(3)	(15)	(18)
Other deposits	2	(15)	(13)	56	15	71
Borrowings	11	(13)	(2)	60	(95)	(35)
Debentures	53	(129)	(76)	1	(178)	(177)
Other	(5)	(1)	(6)	33	(40)	(7)
Total interest expense	358	(641)	(283)	442	(1,224)	(782)
Net interest income	312	(311)	1	484	(215)	269

(1) Not including other receivables and prior to deducting allowance for credit losses and present value discount or reflecting deferred origination costs.

(2) Includes home equity loans.

(3) Includes available-for-sale financial assets and held-to-maturity financial assets.

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The table below sets forth, for the periods and dates indicated, information concerning the noon buying rate for Won, expressed in Won per one U.S. dollar. The noon buying rate is the rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise stated, translations of Won amounts into U.S. dollars in this annual report were made at the noon buying rate in effect on December 31, 2015, which was 1,169.3 to US\$1.00. We do not intend to imply that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate, or at all. On April 22, 2016, the noon buying rate was 1,147.9 = US\$1.00.

	Won per U.S. dollar (noon buying rate)			
	Low	High	Average ⁽¹⁾	Period-End
2011	1,049.2	1,197.5	1,106.9	1,158.5
2012	1,063.2	1,185.0	1,126.2	1,063.2
2013	1,050.1	1,161.3	1,094.7	1,055.3
2014	1,008.9	1,117.7	1,052.3	1,090.9
2015	1,063.0	1,196.4	1,131.0	1,169.3
October	1,120.9	1,180.0	1,143.2	1,140.5
November	1,136.5	1,172.7	1,153.5	1,149.4
December	1,140.7	1,188.0	1,169.9	1,169.3
2016 (through April 22)	1,126.0	1,242.6	1,188.4	1,147.9
January	1,190.4	1,217.0	1,203.3	1,210.0
February	1,186.1	1,242.6	1,216.2	1,238.1
March	1,138.9	1,229.6	1,181.6	1,138.9
April (through April 22)	1,126.0	1,158.4	1,145.7	1,147.9

Source: Federal Reserve Bank of New York

(1) The average of the daily noon buying rates of the Federal Reserve Bank in effect during the relevant period (or portion thereof).

Item 3B. Capitalization and Indebtedness

Not Applicable

Item 3C. Reasons for the Offer and Use of Proceeds

Not Applicable

Item 3D. Risk Factors

Risks relating to our corporate credit portfolio

The largest portion of our exposure is to small- and medium-sized enterprises, and financial difficulties experienced by companies in this segment may result in a deterioration of our asset quality and have an adverse impact on us.

Our loans to small- and medium-sized enterprises amounted to 60,793 billion (excluding discontinued operations), or 31.4% of our total loans, as of December 31, 2013, 62,544 billion, or 30.2% of our total loans, as of December 31, 2014 and 67,115 billion, or 29.5% of our total loans, as of December 31, 2015. As of December 31, 2015, Won-denominated loans to small- and medium-sized enterprises that were classified as substandard or below were 1,162 billion, representing 1.7% of such loans to those enterprises. See Item 4B. Business Overview Corporate Banking Small and Medium-Sized Enterprise Banking. We recorded charge-offs of 472 billion in respect of our Won-denominated loans to small- and medium-sized enterprises in 2015, compared to charge-offs of 319 billion (excluding discontinued operations) in 2014 and 517 billion (excluding discontinued operations) in 2013. According to data compiled by the Financial Supervisory Service, the industry-wide

delinquency ratios for Won-denominated loans to small- and medium-sized enterprises

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decreased in 2014 and 2015. The delinquency ratio for small- and medium-sized enterprises is calculated as the ratio of (1) the outstanding balance of such loans in respect of which either principal or interest payments are overdue by one month or more to (2) the aggregate outstanding balance of such loans. Our delinquency ratio for such loans denominated in Won was 1.5% (excluding discontinued operations) as of December 31, 2013, 1.5% as of December 31, 2014 and 1.4% as of December 31, 2015. Our delinquency ratio may increase in 2016 as a result of, among other things, adverse economic conditions in Korea and globally. See Other risks relating to our business Difficult conditions in the global financial markets could adversely affect our results of operations and financial condition. Accordingly, we may be required to take measures to decrease our exposures to these customers.

In light of the deteriorating financial condition and liquidity position of small- and medium-sized enterprises in Korea as a result of the global financial crisis commencing in the second half of 2008, the Korean government introduced measures intended to encourage Korean banks to provide financial support to small- and medium-sized enterprise borrowers. For example, the Korean government requested Korean banks, including us, to establish a fast track program to provide liquidity assistance to small- and medium-sized enterprises on an expedited basis. Under the fast track program we established, which is currently expected to be effective through December 31, 2016, liquidity assistance is provided to small- and medium-sized enterprise borrowers applying for such assistance, in the form of new short term loans or maturity extensions or interest rate adjustments with respect to existing loans, after expedited credit review and approval. The overall prospects for the Korean economy in 2016 and beyond remain uncertain, and the Korean government may extend or renew existing or past policies and initiatives or introduce new policies or initiatives to encourage Korean banks to provide financial support to small- and medium-sized enterprises. We believe that, to date, our participation in such government-led initiatives (primarily through the fast track program) has not caused us to extend a material amount of credit that we would not have otherwise extended nor materially impacted our results of operations and financial condition in general. The aggregate amount of outstanding small- and medium-sized enterprise loans made by us under the fast track program was 29 billion as of December 31, 2015, which represented 0.04% of our total small- and medium-sized enterprise loan portfolio as of such date. Furthermore, loans made by us under the fast track program are partially guaranteed by the Korean government's public financial institutions, including the Korea Credit Guarantee Fund and the Korea Technology Finance Corporation. However, there can be no assurance that our future participation in such government-led initiatives would not lead us to extend credit to small- and medium-sized enterprise borrowers that we would not otherwise extend, or offer terms for such credit that we would not otherwise offer, in the absence of such initiatives. Furthermore, there is no guarantee that the financial condition and liquidity position of our small- and medium-sized enterprise borrowers benefiting from such initiatives will improve sufficiently for them to service their debt on a timely basis, or at all. Accordingly, increases in our exposure to small- and medium-sized enterprises resulting from such government-led initiatives may have a material adverse effect on our results of operations and financial condition.

Many small- and medium-sized enterprises represent sole proprietorships or very small businesses dependent on a relatively limited number of suppliers or customers and tend to be affected to a greater extent than large corporate borrowers by fluctuations in the Korean and global economy. In addition, small- and medium-sized enterprises often maintain less sophisticated financial records than large corporate borrowers. Therefore, it is generally more difficult for us to judge the level of risk inherent in lending to these enterprises, as compared to large corporations.

In addition, many small- and medium-sized enterprises have close business relationships with large corporations in Korea, primarily as suppliers. Any difficulties encountered by those large corporations would likely hurt the liquidity and financial condition of related small- and medium-sized enterprises, including those to which we have exposure, also resulting in an impairment of their ability to repay loans.

Financial difficulties experienced by small- and medium-sized enterprises as a result of, among other things, adverse economic conditions in Korea and globally, as well as aggressive marketing and intense competition among banks to lend to this segment in recent years, have led to a deterioration in the asset quality of our loans to this segment in the past and such factors may lead to a deterioration of asset quality in the future. Any such

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deterioration would result in increased charge-offs and higher provisioning and reduced interest and fee income from this segment, which would have an adverse impact on our financial condition and results of operations.

We have exposure to Korean construction and shipbuilding companies, and financial difficulties of these companies may adversely impact us.

As of December 31, 2015, the total amount of loans provided by us to construction and shipbuilding companies in Korea amounted to 6,018 billion and 1,939 billion, or 2.6% and 0.9% of our total loans, respectively. We also have other exposures to Korean construction and shipbuilding companies, including in the form of guarantees extended for the benefit of such companies and debt and equity securities of such companies held by us. In the case of shipbuilding companies, such exposures include refund guarantees extended by us on behalf of shipbuilding companies to cover their obligation to return a portion of the ship order contract amount to customers in the event of performance delays or defaults under shipbuilding contracts. In the case of construction companies, we also have potential exposures in the form of guarantees provided to us by general contractors with respect to financing extended by us for residential and commercial real estate development projects, as well as commitments to purchase asset-backed securities secured by the assets of companies in the construction industry and other commitments we enter into relating to project financing for such real estate projects which may effectively function as guarantees.

The construction industry in Korea has experienced a downturn in recent years, due to excessive investment in residential property development projects, stagnation of real property prices and reduced demand for residential property, especially in areas outside of Seoul, including as a result of the deterioration of the Korean economy. The shipbuilding industry in Korea has also experienced a severe downturn in recent years due to a significant decrease in ship orders, primarily due to adverse conditions in the global economy and the resulting slowdown in global trade. In response to the deteriorating financial condition and liquidity position of borrowers in the construction and shipbuilding industries, which were disproportionately impacted by adverse economic developments in Korea and globally, the Korean government implemented a program in the first half of 2009 to promote expedited restructuring of such borrowers by their Korean creditor financial institutions, under the supervision of major commercial banks. In accordance with such program, 24 construction companies and five shipbuilding companies became subject to workout in 2009, following review by their creditor financial institutions (including us) and the Korean government. Each year since 2009, the Financial Services Commission and the Financial Supervisory Service have announced the results of subsequent credit risk evaluations conducted by creditor financial institutions (including us) of companies in Korea with outstanding debt of 50 billion or more, pursuant to which a number of companies were selected by such financial institutions for restructuring in the form of workout, liquidation or court receivership. Most recently, in December 2015, 19 companies with outstanding debt of 50 billion or more (one of which was a construction company and two of which were shipbuilding and shipping companies) were selected by such financial institutions for restructuring. There is no assurance, however, that these measures will be successful in stabilizing the Korean construction and shipbuilding industries.

The allowance for credit losses that we have established against our credit exposures to Korean construction and shipbuilding companies may not be sufficient to cover all future losses arising from these and other exposures. If the credit quality of our exposures to Korean construction and shipbuilding companies declines, we may incur substantial additional provisions for credit loss, which could adversely impact our results of operations and financial condition. Furthermore, although a portion of our loans to construction and shipbuilding companies are secured by collateral, such collateral may not be sufficient to cover uncollectible amounts in respect of such loans.

We also have construction-related credit exposures under our project financing loans for real estate development projects in Korea. In light of the general deterioration in the asset quality of real estate project financing loans in Korea in recent years, Korean banks, including us, implemented a uniform set of guidelines to apply more stringent criteria in evaluating the asset quality of real estate project financing loans. As a result, we may be required to establish additional allowances with respect to our outstanding real estate project financing loans, which could adversely affect our financial condition and results of operations.

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We have exposure to the largest Korean commercial conglomerates, known as chaebols, and, as a result, financial difficulties of chaebols may have an adverse impact on us.

Of our 20 largest corporate exposures (including loans, debt and equity securities, credit-related commitments and other exposures) as of December 31, 2015, eight were to companies that were members of the 30 largest *chaebols* in Korea. As of that date, the total amount of our exposures to the 30 largest *chaebols* was 26,390 billion, or 7.2% of our total exposures. If the credit quality of our exposures to *chaebols* declines, we could incur additional provisions for credit loss, which would hurt our results of operations and financial condition. See Item 4B. Business Overview Assets and Liabilities Loan Portfolio Exposure to Chaebols.

The allowances we have established against these exposures may not be sufficient to cover all future losses arising from these exposures. In addition, in the case of companies that are in or in the future enter into workout, restructuring, reorganization or liquidation proceedings, our recoveries from those companies may be limited. We may, therefore, experience future losses with respect to these exposures.

A large portion of our exposure is concentrated in a relatively small number of large corporate borrowers, which increases the risk of our corporate credit portfolio.

As of December 31, 2015, our 20 largest exposures to corporate borrowers totaled 40,182 billion, which represented 11.0% of our total exposures. As of that date, our single largest corporate exposure was to the Bank of Korea, to which we had outstanding credits in the form of debt securities of 6,060 billion and loans in Won of 2,270 billion, representing 2.3% of our total exposures in the aggregate. Aside from exposure to the Korean government and government-related agencies, our next largest exposure was to Hyundai Heavy Industries, to which we had outstanding exposure of 2,109 billion representing 0.6% of our total exposures. Any deterioration in the financial condition of our large corporate borrowers may require us to record substantial additional allowances and may have a material adverse impact on our results of operations and financial condition.

We have exposure to companies that are currently or may in the future be put in restructuring, and we may suffer losses as a result of additional provisions for credit loss required or the adoption of restructuring plans with which we do not agree.

As of December 31, 2015, our credit exposures to companies that were in workout or corporate restructuring amounted to 1,445 billion or 0.4% of our total credit exposures, of which 1,171 billion or 81.0% was classified as substandard or below and substantially all of which was classified as impaired. As of the same date, our allowance for credit losses on these credit exposures amounted to 481 billion, or 33.3% of these exposures. These allowances may not be sufficient to cover all future losses arising from our credit exposure to these companies. Furthermore, we have other exposure to such companies, in the form of debt and equity securities of such companies held by us (including equity securities we acquired as a result of debt-to-equity conversions). Including such securities, our exposures as of December 31, 2015 to companies in workout or restructuring amounted to 1,462 billion, or 0.4% of our total exposures. Our exposures to such companies may also increase in the future, including as a result of adverse conditions in the Korean economy. In addition, in the case of borrowers that are or become subject to workout, we may be forced to restructure our credits pursuant to restructuring plans approved by other creditor financial institutions of the borrower, or to dispose of our credits to other creditors on unfavorable terms, which may adversely affect our results of operations and financial condition.

Risks relating to our consumer credit portfolio

We may experience increases in delinquencies in our consumer loan and credit card portfolios.

In recent years, consumer debt has increased rapidly in Korea. Our portfolio of consumer loans amounted to 71,041 billion (excluding discontinued operations) as of December 31, 2013, 80,217 billion as of December 31, 2014 and 93,448 billion as of December 31, 2015. Our credit card portfolio amounted to 4,209 billion (excluding discontinued operations) as of December 31, 2013, 5,114 billion as of December 31, 2014 and

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6,099 billion as of December 31, 2015. As of December 31, 2015, our consumer loans and credit card receivables represented 41.1% and 2.7% of our total lending, respectively. See Item 4B. Business Overview Consumer Banking Lending Activities and Item 4B. Business Overview Credit Cards Products and Services.

The growth in our consumer loan portfolio in recent years, together with adverse economic conditions in Korea and globally, may lead to increasing delinquencies and a deterioration in asset quality. The amount of our consumer loans classified as substandard or below was 454 billion (excluding discontinued operations) (or 0.6% of our consumer loan portfolio) as of December 31, 2013, 488 billion (or 0.6% of our consumer loan portfolio) as of December 31, 2014 and 345 billion (or 0.4% of our consumer loan portfolio) as of December 31, 2015. We charged off consumer loans amounting to 240 billion in 2015, as compared to 115 billion (excluding discontinued operations) in 2014 and 180 billion (including discontinued operations) in 2013, and recorded provisions for credit loss in respect of consumer loans of 103 billion in 2015, as compared to 150 billion (excluding discontinued operations) in 2014 and 238 billion (including discontinued operations) in 2013. Within our consumer loan portfolio, the outstanding balance of general purpose household loans, which, unlike mortgage or home equity loans, are often unsecured and therefore tend to carry a higher credit risk, amounted to 20,673 billion (excluding discontinued operations), or 29.1% of our total outstanding consumer loans, as of December 31, 2013, 22,393 billion, or 27.9% of our total outstanding consumer loans, as of December 31, 2014 and 24,179 billion, or 25.9% of our total outstanding consumer loans, as of December 31, 2015.

In our credit card segment, outstanding balances overdue by more than one month amounted to 76 billion (excluding discontinued operations), or 1.8% of our credit card receivables, as of December 31, 2013, 85 billion, or 1.7% of our credit card receivables, as of December 31, 2014 and 97 billion, or 1.6% of our credit card receivables, as of December 31, 2015. In line with industry practice, we have restructured a portion of our delinquent credit card account balances as loans. As of December 31, 2015, these restructured loans amounted to 82 billion, or 1.3% of our credit card balances. Because these restructured loans are not initially recorded as being delinquent, our delinquency ratios do not fully reflect all delinquent amounts relating to our credit card balances. Including all restructured loans, outstanding balances overdue by more than one month accounted for 2.9% of our credit card balances as of December 31, 2015. We charged off credit card balances amounting to 198 billion in 2015, as compared to 163 billion (excluding discontinued operations) in 2014 and 172 billion (excluding discontinued operations) in 2013, and recorded provisions for credit loss in respect of credit card balances of 181 billion in 2015, as compared to 158 billion (excluding discontinued operations) in 2014 and 125 billion (excluding discontinued operations) in 2013. Delinquencies may increase in the future as a result of, among other things, adverse economic conditions in Korea, difficulties experienced by other credit card issuers that adversely affect our customers, additional government regulation or the inability of Korean consumers to manage increased household debt.

A deterioration of the asset quality of our consumer loan and credit card portfolios would require us to record increased provisions for credit loss and charge-offs and will adversely affect our financial condition and results of operations. In addition, our large exposure to consumer debt means that we are exposed to changes in economic conditions affecting Korean consumers. Accordingly, economic difficulties in Korea that hurt those consumers could result in further deterioration in the credit quality of our consumer loan and credit card portfolios. For example, a rise in unemployment or an increase in interest rates in Korea could adversely affect the ability of consumers to make payments and increase the likelihood of potential defaults.

In light of adverse conditions in the Korean economy affecting consumers, in March 2009, the Financial Services Commission requested Korean banks, including us, to establish a pre-workout program, including a credit counseling and recovery service, for retail borrowers with outstanding short-term debt. The pre-workout program has been in operation since April 2009 and, following successive extensions by the Korean government, is expected to continue indefinitely. Under the pre-workout program, maturity extensions and/or interest reductions are provided for retail borrowers with total loans of less than 1.5 billion (consisting of no more than 500 million of unsecured loans and 1 billion of secured loans) who are in arrears on their payments for more than 30 days but less than 90 days. The aggregate amount of consumer credit (including credit card receivables)

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we provided which became subject to the pre-workout program in 2015 was 26 billion. In addition, in March 2015, in response to increasing levels of consumer debt and amid concerns over the debt-servicing capacity of retail borrowers if interest rates were to rise, the Korean government launched, and requested Korean banks to participate in, a mortgage loan refinancing program aimed at reducing the payment burden on and improving the asset quality of outstanding mortgage loans. Under such refinancing program, qualified retail borrowers converted their outstanding non-amortizing floating-rate mortgage loans from Korean commercial banks (including us) into long-term amortizing fixed-rate mortgage loans with lower interest rates. The aggregate principal amount of mortgage loans that were refinanced under such program was 31.7 trillion for all commercial banks, of which our share was 3.9 trillion. Our participation in such refinancing program adversely affected our interest income on our outstanding mortgage loans, as well as our overall net interest margin. More generally, our participation in such government-led initiatives to provide financial support to retail borrowers may lead us to offer credit terms for such borrowers that we would not otherwise offer, in the absence of such initiatives, which may have an adverse effect on our results of operations and financial condition.

A decline in the value of the collateral securing our consumer loans and our inability to realize full collateral value may adversely affect our consumer credit portfolio.

A substantial portion of our consumer loans is secured by real estate, the values of which have fluctuated significantly in recent years. Although it is our general policy to lend up to 70% of the appraised value of collateral (except in areas of high speculation designated by the government where we generally limit our lending to 40% to 70% of the appraised value of collateral) and to periodically re-appraise our collateral, the downturn in the real estate markets in Korea in recent years has resulted in declines in the value of the collateral securing our mortgage and home equity loans. If collateral values decline further in the future, they may not be sufficient to cover uncollectible amounts in respect of our secured loans. Any future declines in the value of the real estate or other collateral securing our consumer loans, or our inability to obtain additional collateral in the event of such declines, could result in a deterioration in our asset quality and may require us to record additional allowances for credit losses.

In Korea, foreclosure on collateral generally requires a written petition to a court. An application, when made, may be subject to delays and administrative requirements that may decrease the value of such collateral. We cannot guarantee that we will be able to realize the full value on our collateral as a result of, among other factors, delays in foreclosure proceedings and defects in the perfection of our security interest in collateral. Our failure to recover the expected value of collateral could expose us to potential losses.

Risks relating to our structure and strategy

The implementation of the Korean government's privatization plan may have an adverse effect on us and your interests as a shareholder.

In June 2013, the Korean government, through the Public Funds Oversight Committee of the Financial Services Commission, announced an updated plan to privatize Woori Finance Holdings and its former subsidiaries, including us. The privatization plan provided for the segregation of such entities into three groups and the disposal of the Korean government's interest in these entities held through the KDIC in a series of transactions, many of which have been completed. Such transactions included the following:

Kwangju Bank and Kyongnam Bank. In May 2014, Woori Finance Holdings established KJB Financial Group and KNB Financial Group through a spin-off of its businesses related to the holding of the shares and thereby controlling the business operations of Kwangju Bank and Kyongnam Bank, respectively. As a result of such spin-off, KJB Financial Group became the owner of the shares of Kwangju Bank previously held by Woori Finance Holdings, and KNB Financial Group became the owner of the shares of Kyongnam Bank previously held by Woori Finance Holdings. Woori Finance Holdings no longer owned any shares of Kwangju Bank or Kyongnam Bank, and neither they nor their new holding companies were its subsidiaries, after the spin-off. Following such spin-off, each of these banks was merged with its holding company, and in October 2014, the KDIC sold its 56.97% ownership interest in Kwangju Bank and Kyongnam Bank to JB Financial Group and BS Financial Group, respectively.

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Woori Investment & Securities and Other Subsidiaries. In March 2014, Woori Finance Holdings sold its 52.0% ownership interest in Woori Financial to KB Financial Group. In May 2014, Woori Finance Holdings sold its 100.0% ownership interest in Woori Asset Management to Kiwoom Securities and sold its 100.0% ownership interest in Woori F&I to Daishin Securities. In June 2014, Woori Finance Holdings sold its 37.9% ownership interest in Woori Investment & Securities, its 51.6% ownership interest in Woori Aviva Life Insurance and its 100.0% ownership interest in Woori FG Savings Bank to NongHyup Financial Group in a collective sale. As a result of such sales, Woori Investment & Securities, Woori Asset Management, Woori Aviva Life Insurance, Woori FG Savings Bank, Woori F&I and Woori Financial were no longer subsidiaries of Woori Finance Holdings, and it no longer owned any shares in such former subsidiaries.

Woori Bank. In November 2014, Woori Finance Holdings merged with and into us. As a result of the merger, the other former subsidiaries of Woori Finance Holdings, including Woori Card, Woori Private Equity, Woori FIS, Woori Investment Bank and Woori Finance Research Institute, became our subsidiaries. In December 2014, the KDIC sold 40,143,022 shares of our common stock in a private sale in Korea, as a result of which its ownership interest in us was reduced to 51.06%. We expect the KDIC to sell all or a portion of the remaining shares of our common stock it owns to one or more purchasers in the future.

See Item 4A. History and Development of the Company Privatization Plan.

The implementation of the Korean government's privatization plan, including the merger of Woori Finance Holdings with and into us and the expected sale of the KDIC's remaining ownership interest in us to third parties, is likely to have a significant impact on us. For example, the loss of the Korean government as our indirect controlling shareholder, the spin-off of Kwangju Bank and Kyongnam Bank and the loss of our former affiliates such as Woori Investment & Securities that had complementary businesses may have a material adverse effect on our credit profile and credit ratings, as well as our business, financial condition and results of operations. Furthermore, the sale of a controlling interest in us to one or more third parties may result in a change in our business, management, strategy, capital structure and assets and liabilities and lead to diversion of management attention, a loss of customers and labor unrest. In addition, such sale may require us to integrate our operations and systems with those of the purchasers or their affiliates and to reorganize or reduce overlapping personnel, branches, networks and administrative functions. There is also no guarantee that the various transactions completed under the privatization plan will not result in unintended adverse tax consequences for us and our subsidiaries, as well as our shareholders. Accordingly, the implementation of the privatization plan may have a material adverse effect on the trading price of our common stock and American depository shares, or ADSs, and your interests as a shareholder.

We may not generate sufficient additional fees to achieve our revenue diversification strategy.

An important element of our overall strategy is increasing our fee income in order to diversify our revenue base, in anticipation of greater competition and declining lending margins. Historically, our primary source of revenues has been net interest income from our banking operations. To date, except for credit card, trust management, bancassurance and currency transfer fees (including foreign exchange-related commissions) and fees collected in connection with the operation of our investment funds, we have not generated substantial fee income. We intend to develop new sources of fee income as part of our business strategy, including through our investment banking and asset management businesses. Although we, like many other Korean financial institutions, have begun to charge fees to our customers more regularly, customers may prove unwilling to pay additional fees, even in exchange for more attractive value-added services, and their reluctance to do so would adversely affect the implementation of our strategy to increase our fee income. Furthermore, the fees that we charge to customers are subject to regulation by Korean financial regulatory authorities, which may seek to implement regulations or measures that may have an adverse impact on our ability to achieve this aspect of our strategy.

Table of Contents**Risks relating to competition*****Competition in the Korean financial industry is intense, and we may lose market share and experience declining margins as a result.***

Competition in the Korean financial market has been and is likely to remain intense. Some of the financial institutions that we compete with are larger in terms of asset size and customer base and have greater financial resources or more specialized capabilities than us. In addition, in the area of our core banking operations, most Korean banks have been focusing on retail customers and small- and medium-sized enterprises in recent years, although they have begun to generally increase their exposure to large corporate borrowers, and have been focusing on developing fee income businesses, including bancassurance and investment products, as increasingly important sources of revenue. In the area of credit cards, Korean banks and credit card companies have in the past engaged in aggressive marketing activities and made significant investments, contributing to some extent to lower profitability and asset quality problems previously experienced with respect to credit card receivables. The competition and market saturation resulting from this common focus may make it more difficult for us to secure retail, small- and medium-sized enterprise and large corporate customers with the credit quality and on credit terms necessary to maintain or increase our income and profitability.

In addition, we believe that regulatory reforms and the general modernization of business practices in Korea will lead to increased competition among financial institutions in Korea. In the second half of 2015, the Korean government implemented measures to facilitate bank account portability of retail customers by requiring commercial banks to establish systems that allow retail customers to easily switch their bank accounts at one commercial bank to another and automatically transfer the automatic payment settings of their former accounts to the new ones. Such measures are expected to further intensify competition among financial institutions in Korea. We also believe that foreign financial institutions, many of which have greater experience and resources than we do, will seek to compete with us in providing financial products and services either by themselves or in partnership with existing Korean financial institutions. Furthermore, a number of significant mergers and acquisitions in the industry have taken place in Korea in recent years, including Hana Financial Group's acquisition of a controlling interest in Korea Exchange Bank in February 2012 and the subsequent merger of Hana Bank into Korea Exchange Bank in September 2015. Moreover, in 2014, pursuant to the implementation of the Korean government's privatization plan with respect to Woori Finance Holdings and its former subsidiaries, Woori Financial, Woori Asset Management and Woori F&I were acquired by KB Financial Group, Kiwoom Securities and Daishin Securities, respectively, and Woori Investment & Securities, Woori Aviva Life Insurance and Woori FG Savings Bank were acquired by NongHyup Financial Group. In addition, in October 2014, the KDIC's ownership interest in Kwangju Bank and Kyongnam Bank were acquired by JB Financial Group and BS Financial Group, respectively. See Item 4A. History and Development of the Company Privatization Plan. We expect that consolidation in the financial industry will continue. Other financial institutions may seek to acquire or merge with other entities, and the financial institutions resulting from such consolidation may, by virtue of their increased size and business scope, provide significantly greater competition for us. Increased competition and continuing consolidation may lead to decreased margins, resulting in a material adverse impact on our future profitability. Accordingly, our results of operations and financial condition may suffer as a result of increasing competition in the Korean financial industry.

Competition for customer deposits may increase, resulting in a loss of our deposit customers or an increase in our funding costs.

In recent years, we have faced increasing pricing pressure on deposit products from our competitors. If we do not continue to offer competitive interest rates to our deposit customers, we may lose their business. In addition, even if we are able to match our competitors' pricing, doing so may result in an increase in our funding costs, which may have an adverse impact on our results of operations.

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Other risks relating to our business

Difficult conditions in the global financial markets could adversely affect our results of operations and financial condition.

While the rate of deterioration of the global economy since the commencement of the global financial crisis in 2008 has slowed, with some signs of stabilization and improvement, the overall prospects for the Korean and global economy in 2016 and beyond remain uncertain. In recent years, the global financial markets have experienced significant volatility as a result of, among other things:

the financial difficulties affecting many governments worldwide, in particular in southern Europe and Latin America;

the slowdown of economic growth in China and other major emerging market economies;

interest rate fluctuations as well as the possibility of increases in policy rates by the U.S. Federal Reserve and other central banks; and

political and social instability in various countries in the Middle East and Northern Africa, including Iraq, Syria and Egypt, as well as in Ukraine and Russia.

In light of the high level of interdependence of the global economy, any of the foregoing developments could have a material adverse effect on the Korean economy and financial markets, and in turn on our business, financial condition and results of operations.

We are also exposed to adverse changes and volatility in global and Korean financial markets as a result of our liabilities and assets denominated in foreign currencies and our holdings of trading and investment securities, including structured products. The value of the Won relative to major foreign currencies in general and the U.S. dollar in particular has fluctuated widely in recent years. See Item 3A. Selected Financial Data Exchange Rates. A depreciation of the Won will increase our cost in Won of servicing our foreign currency-denominated debt, while continued exchange rate volatility may also result in foreign exchange losses for us. Furthermore, as a result of adverse global and Korean economic conditions, there has been significant volatility in securities prices, including the stock prices of Korean and foreign companies in which we hold an interest. Such volatility has resulted in and may lead to further trading and valuation losses on our trading and investment securities portfolio as well as impairment losses on our investments in joint ventures and associates.

Our risk management system may not be effective in mitigating risk and loss.

We seek to monitor and manage our risk exposure through a standardized risk management system, encompassing a multi-tiered risk management governance structure under our Board Risk Management Committee, our centralized credit risk management system called the CREPIA system, reporting and monitoring systems, early warning systems and other risk management infrastructure, using a variety of risk management strategies and techniques. See Item 11. Quantitative and Qualitative Disclosures about Market Risk. However, such risk management strategies and techniques employed by us and the judgments that accompany their application cannot anticipate the economic and financial outcome in all market environments, and many of our risk management strategies and techniques have a basis in historic market behavior that may limit the effectiveness of such strategies and techniques in times of significant market stress or other unforeseen circumstances. Furthermore, our risk management strategies may not be effective in a difficult or less liquid market environment, as other market participants may be attempting to use the same or similar strategies as us to deal with such market conditions. In such circumstances, it may be difficult for us to reduce our risk positions due to the activity of such other market participants.

Our failure to meet the financial and other business targets set forth in current terms of the memorandum of understanding between us and the KDIC may result in substantial harm to us.

Under the current terms of the memorandum of understanding entered into between us and the KDIC, we are required to meet certain financial and business targets on a quarterly basis until the end of 2016. See Item 4A. History and Development of the Company History Memoranda of Understanding. As a result of

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deteriorating economic and financial market conditions in Korea and globally, both we and Woori Finance Holdings have failed to meet certain of our respective targets in recent years. For example, in April 2014, the KDIC imposed an institutional warning on Woori Finance Holdings and us in connection with Woori Finance Holdings' failure to meet its financial targets for return on assets, expense-to-revenue ratio and non-performing loan ratio as of December 31, 2013 and our failure to meet our financial targets for return on assets and non-performing loan ratio as of December 31, 2013. In April 2015, the KDIC imposed an institutional warning on us in connection with our failure to meet our financial target for expense-to-revenue ratio as of December 31, 2014. In April 2016, while we failed to meet our financial target for expense-to-revenue ratio, the KDIC waived institutional measures due to our satisfaction of the other financial targets and the consideration of certain factors. We entered into a new business normalization plan with new restructuring measures and financial targets with the KDIC in March 2016.

If we fail to satisfy our obligations under the current or any new memorandum of understanding in the future, the Korean government, through the KDIC, may impose penalties on us. These penalties could include the replacement of our senior management, sale of our assets, restructuring of our organization, restrictions on our business, including a suspension or transfer of our business, and elimination or reduction of existing equity. Accordingly, our failure to meet the obligations in the memorandum of understanding may result in harm to our business, financial condition and results of operations.

We have provided certain assets as collateral in connection with our secured borrowings and could be required to make payments and realize losses in the future relating to those assets.

We have provided certain assets as collateral for our secured borrowings in recent years. As of December 31, 2015, the aggregate amount of assets we had provided as collateral for our secured borrowings was 9,217 billion. These secured borrowings may take the form of asset securitization transactions, where we nominally sell our assets to a securitization vehicle that issues securities backed by those assets, although the assets remain on our statements of financial position. These secured borrowings are intended to be fully repaid through recoveries on collateral. Some of these nominal asset sales were with recourse, which means that if delinquencies arise with respect to such assets, we will be required to either repay a proportionate amount of the related secured borrowing (by reversing the nominal sale and repurchasing such assets) or compensate the securitization vehicle for any net shortfalls in its recoveries on such assets. If we are required to make payments on such assets, or to repay our secured borrowings on those assets and are unable to make sufficient recoveries on them, we may realize further losses on these assets.

An increase in interest rates would decrease the value of our debt securities portfolio and raise our funding costs while reducing loan demand and the repayment ability of our borrowers, which could adversely affect us.

Interest rates in Korea have been subject to significant fluctuations in the past. In an effort to stem inflation amid improved growth prospects, the Bank of Korea gradually increased its policy rate in 2010 and 2011 by a total of 125 basis points to 3.25%. However, the Bank of Korea reduced its policy rate to 2.00% through a series of reductions from 2012 to 2014 to support Korea's economy in light of the slowdown in Korea's growth and uncertain global economic prospects. In 2015, the Bank of Korea further reduced its policy rate to an unprecedented 1.50% amid deflationary concerns and interest rate cuts by central banks around the world. All else being equal, an increase in interest rates in the future could lead to a decline in the value of our portfolio of debt securities, which generally pay interest based on a fixed rate. A sustained increase in interest rates will also raise our funding costs, while reducing loan demand, especially among consumers. Rising interest rates may therefore require us to re-balance our asset portfolio and our liabilities in order to minimize the risk of potential mismatches and maintain our profitability. See Item 11. Quantitative and Qualitative Disclosures about Market Risk. In addition, rising interest rate levels may adversely affect the Korean economy and the financial condition of our corporate and consumer borrowers, including holders of our credit cards, which in turn may lead to a deterioration in our credit portfolio. In particular, since most of our consumer and corporate loans bear interest at rates that adjust periodically based on prevailing market rates, a sustained increase in interest rate levels will increase the interest costs of our consumer and corporate borrowers and will adversely affect their ability to make payments on their outstanding loans.

Table of Contents***Our funding is highly dependent on short-term deposits, which dependence may adversely affect our operations.***

We meet a significant amount of our funding requirements through short-term funding sources, which consist primarily of customer deposits. As of December 31, 2015, approximately 95.1% of these deposits had maturities of one year or less or were payable on demand. In the past, a substantial proportion of these customer deposits have been rolled over upon maturity. We cannot guarantee, however, that depositors will continue to roll over their deposits in the future. In the event that a substantial number of these short-term deposit customers withdraw their funds or fail to roll over their deposits as higher-yielding investment opportunities emerge, our liquidity position could be adversely affected. We may also be required to seek more expensive sources of short-term and long-term funding to finance our operations. See Item 5B. Liquidity and Capital Resources Financial Condition Liquidity.

Labor union unrest may disrupt our operations and hinder our ability to continue to reorganize our operations.

Most financial institutions in Korea have experienced periods of labor unrest. In recent years, we have transferred or merged some of the business operations of our subsidiaries and affiliates into one or more entities and implemented other forms of corporate and operational restructuring, including in connection with the Korean government's privatization plan with respect to Woori Finance Holdings and its former subsidiaries. See Risks relating to our structure and strategy The implementation of the Korean government's privatization plan may have an adverse effect on us and your interests as a shareholder. We may also decide to implement other organizational or operational changes, as well as acquisitions or dispositions, in the future. Such efforts have in the past been met with significant opposition from labor unions in Korea. Actual or threatened labor disputes may in the future disrupt the reorganization process and our business operations, which in turn may hurt our financial condition and results of operations.

The secondary market for corporate bonds in Korea is not fully developed, and, as a result, we may not be able to realize the full marked-to-market value of debt securities we hold when we sell any of those securities.

As of December 31, 2015, we held debt securities issued by Korean companies and financial institutions (other than those issued by government-owned or -controlled enterprises or financial institutions, which include the KDIC, the Korea Electric Power Corporation, the Bank of Korea, the Korea Development Bank and the Industrial Bank of Korea, among others) with a total book value of 2,960 billion in our trading and investment securities portfolio. The market value of these securities could decline significantly due to various factors, including future increases in interest rates or a deterioration in the financial and economic condition of any particular issuer or of Korea in general. Any of these factors individually or a combination of these factors would require us to write down the fair value of these debt securities, resulting in impairment losses. Because the secondary market for corporate bonds in Korea is not fully developed, the market value of many of these securities as reflected on our consolidated statements of financial position is determined by references to suggested prices posted by Korean rating agencies, which measure prices based on observable market data. These valuations, however, may differ significantly from the actual value that we could realize in the event we elect to sell these securities. As a result, we may not be able to realize the full marked-to-market value at the time of any such sale of these securities and thus may incur additional losses.

We may be required to raise additional capital if our capital adequacy ratio deteriorates or the applicable capital requirements change in the future, but we may not be able to do so on favorable terms or at all.

Under the capital adequacy requirements of the Financial Services Commission, we are currently required to maintain a minimum Tier I common equity capital adequacy ratio of 4.5%, Tier I capital adequacy ratio of 6.0% and combined Tier I and Tier II capital adequacy ratio of 8.0%, on a consolidated basis. In addition, the current terms of the memorandum of understanding between us and the KDIC requires us to meet specified capital adequacy ratio requirements. See Item 4A. History and Development of the Company History Memoranda

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of Understanding. As of December 31, 2015, our Tier I common equity capital, Tier I capital and combined Tier I and Tier II capital ratios were 8.47%, 10.43% and 13.66%, respectively, which exceeded the minimum levels required by both the Financial Services Commission and such memorandum. However, our capital base and capital adequacy ratio may deteriorate in the future if our results of operations or financial condition deteriorates for any reason, or if we are not able to deploy our funding into suitably low-risk assets. To the extent that we fail to maintain our capital adequacy ratios in the future, Korean regulatory authorities may impose penalties on us ranging from a warning to suspension or revocation of our licenses.

The current capital adequacy requirements of the Financial Services Commission are derived from a new set of bank capital measures, referred to as Basel III, which the Basel Committee on Banking Supervision initially introduced in 2009 and began phasing in starting from 2013. Commencing in July 2013, the Financial Services Commission promulgated a series of amended regulations implementing Basel III, pursuant to which Korean banks and bank holding companies were required to maintain a minimum ratio of Tier I common equity capital (which principally includes equity capital, capital surplus and retained earnings less reserve for credit losses) to risk-weighted assets of 3.5% and Tier I capital to risk-weighted assets of 4.5% from December 1, 2013, which minimum ratios were increased to 4.0% and 5.5%, respectively, from January 1, 2014 and increased further to 4.5% and 6.0%, respectively, from January 1, 2015. Such requirements are in addition to the pre-existing requirement for a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets of 8.0%, which remains unchanged. The amended regulations also require an additional capital conservation buffer of 0.625% on January 1, 2016, with such buffer to increase in stages each subsequent year to 2.5% by 2019, as well as a potential counter-cyclical capital buffer of up to 2.5% starting in 2016, which will be determined on a quarterly basis by the Financial Services Commission. Furthermore, we were designated as one of five domestic systemically important banks for 2016 by the Financial Services Commission and may be subject to an additional capital requirement of 0.25% in 2016, if deemed necessary, with such potential requirement to increase in stages to 1.0% by 2019. The implementation of Basel III in Korea may have a significant effect on the capital requirements of Korean financial institutions, including us. See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Banks Capital Adequacy.

We may be required to obtain additional capital in the future in order to remain in compliance with more stringent capital adequacy and other regulatory requirements. However, we may not be able to obtain additional capital on favorable terms, or at all. Our ability to obtain additional capital at any time may be constrained to the extent that banks or other financial institutions in Korea or from other countries are seeking to raise capital at the same time. Depending on whether we are obtaining any necessary additional capital, and the terms and amount of any additional capital obtained, holders of our common stock or ADSs may experience a dilution of their interest.

We engage in limited activities relating to Iran and may become subject to sanctions under relevant laws and regulations of the United States and other jurisdictions as a result of such activities, which may adversely affect our business and reputation.

The U.S. Department of the Treasury's Office of Foreign Assets Control, or OFAC, administers and enforces certain laws and regulations (which we refer to as OFAC sanctions) that impose restrictions upon activities or transactions within U.S. jurisdiction with certain countries, governments, entities and individuals that are the subject of OFAC sanctions, including Iran. Even though non-U.S. persons generally are not directly bound by OFAC sanctions, in recent years OFAC has asserted that such non-U.S. persons can be held liable on various legal theories if they engage in transactions completed in part in the United States or by U.S. persons (such as, for example, wiring an international payment that clears through a bank branch in New York). The European Union also enforces certain laws and regulations that impose restrictions upon nationals and entities of, and business conducted in, member states with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of such laws and regulations, including Iran. The United Nations Security Council and other governmental entities also impose similar sanctions.

In 2015, in addition to the OFAC sanctions described above, the United States maintained indirect sanctions under authority of, among others, the Iran Sanctions Act, the Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010, or CISADA, the National Defense Authorization Act for Fiscal Year

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2012, or the NDAA, the Iran Threat Reduction and Syria Human Rights Act of 2012, or ITRA, various Executive Orders, and the Iran Freedom and Counter-Proliferation Act of 2012, or IFCA. These indirect sanctions, which we refer to collectively as U.S. secondary sanctions, provide authority for the imposition of U.S. sanctions on foreign parties that provide services (including banking services and financing) in support of certain Iranian activities in the energy, shipping and military sectors, among others. Iran has also been designated as a jurisdiction of primary money laundering concern under Section 311 of the USA PATRIOT Act, potentially subjecting banks dealing with Iranian financial institutions to increased regulatory scrutiny.

Also in 2015, Korea had a sanctions program targeting Iran in accordance with the series of relevant resolutions adopted by the United Nations Security Council. In particular, in September 2010, the Korean government announced broad sanctions implementation guidelines covering financial, trade, transportation and energy-related activities with Iran, which also included a proposal to facilitate legitimate trade between Korea and Iran through Won-denominated settlement accounts to be opened by the Central Bank of Iran, or CBI, at certain Korean banks for such purpose. In December 2011, the Korean government announced expanded sanctions against Iran, including the addition of 99 entities and six individuals that are related to Iran's nuclear program to the Korean government's sanctioned party list with respect to Iran.

On January 16, 2016, however, the so-called P5+1 powers (the United States, United Kingdom, China, France, Russia and Germany) and Iran declared that Implementation Day had occurred under a previously agreed Joint Comprehensive Plan of Action, or the JCPOA, which provided Iran with significant (but not complete) sanctions relief. The relief lifted the majority of European Union, United Nations, Korean, and U.S. secondary sanctions, including those U.S. secondary sanctions targeting the following activities: (i) financial and banking transactions with some (but not all) Iranian banks and financial institutions, including CBI; (ii) purchases of Iranian crude oil; (iii) investment, including participation in joint ventures, goods, services, information, technology and technical expertise and support for Iran's oil, gas and petrochemical sectors; (iv) purchase, acquisition, sale, transportation or marketing of petroleum, petrochemical products and natural gas from Iran; and (v) transactions with Iran's energy sector. As a result, dealings with most Iranian financial institutions and the Iranian energy sector are now unrestricted, so long as the dealings have no connection to the United States and do not involve remaining Iranian entities designated for U.S. terrorism, human rights, nonproliferation and other sanctions; do not conceal the identity of Iranian participants; and do not relate to military activities or human rights violations. OFAC sanctions remain in place, however, which means that all transactions involving Iran within U.S. jurisdiction are still prohibited, including U.S. dollar clearing transactions.

Violations of OFAC sanctions via transactions with a U.S. jurisdictional nexus can result in substantial civil or criminal penalties. A range of sanctions may be imposed on companies that engage in sanctionable activities within the scope of U.S. secondary sanctions, including, among other things, the blocking of any property subject to U.S. jurisdiction in which the sanctioned company has an interest, which could include a prohibition on transactions or dealings involving securities of the sanctioned company pursuant to CISADA. Financial institutions engaging in targeted activity could be sanctioned by termination or restriction of their ability to maintain correspondent accounts in the United States. The imposition of sanctions against foreign financial institutions pursuant to the U.S. secondary sanctions is not automatic, requiring further action by the U.S. administration.

In 2015, we engaged in the following activities relating to Iran:

We operate certain accounts for CBI, which were opened by CBI pursuant to a service agreement entered into by us and CBI in September 2010 to facilitate trade between Korea and Iran. The accounts opened by CBI consist of Won-denominated accounts that are used for the settlement of exports of goods produced or substantially transformed in Korea to Iran by Korean exporters and Won, U.S. dollar, euro and Japanese Yen-denominated accounts (of which only the Won accounts are currently in use) that are used for the settlement of imports of oil and natural gas from Iran by Korean importers. By the terms of the service agreement (as amended) between us and CBI, settlement of export and import transaction payments due from Iranian entities to Korean exporters or from Korean importers to Iranian entities through such accounts opened by CBI are effected by crediting or debiting the relevant amount to or

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from the applicable accounts while a corresponding payment of funds is made to or from an Iranian bank by CBI. Any funds deposited for the account of Iranian entities as a result of Korean imports of oil and gas may only be used by transferring them to the Won-denominated account and then making payment to accounts of Korean persons and entities opened at financial institutions in Korea in respect of Korean exports to Iran. No transfers of funds may be made from these accounts to Iran, to Iranian accounts in any third country, or for any use other than those described above. Furthermore, the applicable laws and regulations and banking guidelines of Korea require that trade transactions between Korean and Iranian parties be subject to prior certification and clearance by relevant Korean governmental authorities (or organizations designated thereby) to ensure compliance with Korean economic sanctions and export controls against Iran, and the settlement of payments through the accounts opened by CBI with us are not permitted without such prior certification and clearance. In 2015, the total fee revenue from maintaining the CBI accounts amounted to approximately 151 million (which represented approximately 0.001% of our total revenue). As there were no expenses directly applicable to such activities under our internal management accounts, we estimate that our net income before tax from maintaining the CBI accounts also amounted to approximately 151 million (which represented approximately 0.01% of our total net income before tax). We intend to continue maintaining the accounts opened by CBI, and in light of the lifting of certain sanctions against Iran, including U.S. secondary sanctions, the scope of our services provided to CBI may be adjusted to reflect such change in circumstances.

We also provide limited export-import financing services to Korean exporters and importers in connection with their trade transactions with Iran that were permitted under the relevant Korean sanctions and were not subject to U.S. secondary sanctions, primarily by discounting, advising on or issuing letters of credit, and to a lesser extent, issuing performance bonds on behalf of Korean contractors with respect to Iranian construction projects permitted under the relevant Korean sanctions and not subject to U.S. secondary sanctions. All such transactions are settled through the accounts opened by CBI with us as described above. In 2015, our total fee revenue from such export-import financing services amounted to approximately 2.3 billion (which represented approximately 0.02% of our total revenue), while our net income before tax from such activities (net of expenses directly applicable to such activities based on our internal management accounts) amounted to approximately 1 billion (which represented approximately 0.07% of our total net income before tax). We intend to continue providing the export-import financing services with its current scope, to the extent U.S. secondary sanctions or other applicable sanctions remain lifted.

We also maintain a limited number of deposit accounts in Korea for an Iranian financial institution that the U.S. government has historically viewed as controlled by the government of Iran. These accounts were opened with us before the institution was designated for U.S. sanctions. Under Korean customer protection requirements, we are unable to provide specific information identifying this Iranian financial institution or the volume of its deposits. As a Korean bank is generally prohibited under Korean law from unilaterally terminating a deposit account without the consent of the depositor, we do not currently have plans to terminate these deposit accounts. In 2015, there were minimal fee revenues from maintaining such deposit accounts, and there were no expenses directly applicable to such activities under our internal management accounts.

In addition, pursuant to requests from the U.S. government received in 2015, and authorization from the competent Korean authorities, we released US\$490 million each on four different occasions, or a total of US\$1,960 million, from the Won-denominated accounts of CBI maintained by us to the accounts of CBI located outside Korea. We understand that such requests were in furtherance of an interim Joint Plan of Action agreed between the P5+1 and Iran in November 2013.

We do not believe that our activities relating to Iran violate OFAC sanctions or are sanctionable under U.S. secondary sanctions. Moreover, to the extent our activities were sanctionable under those U.S. secondary sanctions programs that were lifted pursuant to the JCPOA, U.S. authorities have indicated that sanctions will not be imposed pursuant to the suspended U.S. secondary sanctions. Nevertheless, there can be no assurances that the

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relevant relief will remain in place, and even if it does, there is no guarantee that our activities relating to Iran will not be found to violate OFAC sanctions or involve sanctionable activity under U.S. secondary sanctions, or that any other government will not determine that our activities violate applicable sanctions of other countries. The re-imposition or snap-back of U.S. sanctions pursuant to the JCPOA could also occur, and the scope of re-imposed sanctions would be determined at that time, although sanctions would not be retroactively applied to activities properly engaged in while sanctions relief was in effect. Sanctions against Iran are evolving rapidly, and future changes in law could also adversely affect us.

Our business and reputation could be adversely affected if the U.S. government were to determine that our activities relating to Iran violate OFAC sanctions or involve sanctionable activity under the U.S. secondary sanctions and we are unable to resolve the U.S. government's concerns (for example, through closing the accounts opened by CBI with us), or if any other government were to determine that our activities relating to Iran violate applicable sanctions of other countries. Any prohibition or conditions placed on our use of U.S. correspondent accounts could effectively eliminate our access to the U.S. financial system, including U.S. dollar clearing transactions, which would adversely affect our business, and any other sanctions or civil or criminal penalties imposed could also adversely affect our business. If the U.S. government were to challenge the compatibility of our activities relating to Iran with the OFAC sanctions or the U.S. secondary sanctions, while no assurances can be given that any such measures would be successful, we intend to take all necessary measures to the extent possible to ensure that prohibitions or conditions are not placed on our use of U.S. correspondent accounts, including closing the accounts opened by CBI with us, if required.

We are cooperating with an investigation by the U.S. Department of Justice and the New York State Office of the Attorney General into the use and operation of the CBI accounts. It is not possible to predict the outcome of such investigation at this time, and there can be no assurance that such investigation will not result in an unfavorable outcome or adversely affect our business or reputation. Furthermore, beginning in October 2014, the Prosecutors' Office of Korea investigated a scheme by which the representative director of a Korean company and one of our employees engaged in fraudulent trade transactions involving our Won-denominated settlement activities through the CBI accounts. These individuals were arrested for, charged with and convicted of violations of the Foreign Exchange Transactions Law. The Prosecutors' Office of Korea completed its investigation in connection with this incident and concluded that neither we nor our executive officers engaged in any wrongdoing. However, the fraudulent transactions in question did not meet the conditions attached to operation of the CBI accounts, and there can be no assurances that U.S. authorities would agree that we were not culpable or that the transactions would not be considered sanctionable.

Furthermore, some of our U.S. investors may be required to divest their investments in us under the laws of certain U.S. states or under internal investment policies relating to companies doing business with Iran or may decide for reputational reasons to divest such investments, and some U.S. institutional investors may forego the purchase of our securities. We are aware of initiatives by U.S. governmental entities and U.S. institutional investors, such as pension funds, to adopt or consider adopting laws, regulations or policies prohibiting transactions with or investment in, or requiring divestment from, entities doing business with countries identified as state sponsors of terrorism. There can be no assurance that the foregoing will not occur or that such occurrence will not have a material adverse effect on the value of our common stock and ADSs.

Our Internet banking services are subject to security concerns relating to the commercial use of the Internet.

We provide Internet banking services (including mobile and smartphone banking services) to our retail and corporate customers, which require sensitive customer information, including passwords and account information, to be transferred over a secure connection on the Internet. However, connections on the Internet, although secure, are not free from security breaches. We may experience security breaches in connection with our Internet banking services in the future, which may result in regulatory sanctions as well as liability to our customers and third parties and materially and adversely affect our business.

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We may experience disruptions, delays and other difficulties from our information technology systems.

We rely on our information technology systems for our daily operations including billing, effecting online and offline banking transactions and record keeping. We may experience disruptions, delays or other difficulties from our information technology systems, which may have an adverse effect on our business and adversely impact our customers' confidence in us.

We are generally subject to Korean corporate governance and disclosure standards, which differ in significant respects from those in other countries.

Companies in Korea, including us, are subject to corporate governance standards applicable to Korean public companies which differ in many respects from standards applicable in other countries, including the United States. As a reporting company registered with the U.S. Securities and Exchange Commission and listed on the New York Stock Exchange, we are subject to certain corporate governance standards as mandated by the Sarbanes-Oxley Act of 2002. However, foreign private issuers, including us, are exempt from certain corporate governance requirements under the Sarbanes-Oxley Act or under the rules of the New York Stock Exchange. There may also be less publicly available information about Korean companies, such as us, than is regularly made available by public or non-public companies in other countries. Such differences in corporate governance standards and less public information could result in less than satisfactory corporate governance practices or disclosure to investors in certain countries.

Risks relating to government control

The KDIC, which is our controlling shareholder, is controlled by the Korean government and could cause us to take actions or pursue policy objectives that may be against your interests.

The Korean government, through the KDIC, currently owns 51.06% of our outstanding common stock, although it is in the process of implementing a privatization plan with respect to us pursuant to which it intends to dispose of such common stock. See "Risks relating to our structure and strategy" The implementation of the Korean government's privatization plan may have an adverse effect on us and your interests as a shareholder. So long as the Korean government remains our controlling shareholder, it will have the ability to cause us to take actions or pursue policy objectives that may conflict with the interests of our other shareholders. For example, in order to further its public policy goals, the Korean government could request that we participate with respect to a takeover of a troubled financial institution or encourage us to provide financial support to particular entities or sectors. Such actions or others that are not consistent with maximizing our profits or the value of our common stock may have an adverse impact on our results of operations and financial condition and may cause the price of our common stock and ADSs to decline.

In addition, pursuant to the terms of our memorandum of understanding with the KDIC, we are required to take any necessary action (including share buybacks and payment of dividends) to return to the KDIC the funds it injected into us, so long as such action does not cause a material adverse effect on the normalization of our business operations as contemplated by the memorandum of understanding. Any action that we take as a result of this requirement may favor the KDIC over our other shareholders and may therefore be against your interests.

Risks relating to government regulation and policy

The Korean government may promote lending and financial support by the Korean financial industry to certain types of borrowers as a matter of policy, which financial institutions, including us, may decide to follow.

Through its policy guidelines and recommendations, the Korean government has promoted and, as a matter of policy, may continue to attempt to promote lending by the Korean financial industry to particular types of borrowers. For example, the Korean government has in the past announced policy guidelines requesting financial institutions to participate in remedial programs for troubled corporate borrowers, as well as policies aimed at promoting certain sectors of the economy, including measures such as making low interest funding available to financial institutions that lend to these sectors. The government has in this manner encouraged mortgage lending

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to low-income individuals and lending to small- and medium-sized enterprises. We expect that all loans or credits made pursuant to these government policies will be reviewed in accordance with our credit approval procedures. However, these or any future government policies may influence us to lend to certain sectors or in a manner in which we otherwise would not in the absence of that policy.

In the past, the Korean government has also announced policies under which financial institutions in Korea are encouraged to provide financial support to particular sectors. For example, in light of the deteriorating financial condition and liquidity position of small- and medium-sized enterprises in Korea as a result of the global financial crisis commencing in the second half of 2008 and adverse conditions in the Korean economy affecting consumers, the Korean government introduced measures intended to encourage Korean banks to provide financial support to small- and medium-sized enterprise borrowers. See **Risks relating to our corporate credit portfolio** The largest portion of our exposure is to small- and medium-sized enterprises, and financial difficulties experienced by companies in this segment may result in a deterioration of our asset quality and have an adverse impact on us. In addition, in March 2015, in response to increasing levels of consumer debt and amid concerns over the debt-servicing capacity of retail borrowers if interest rates were to rise, the Korean government requested Korean banks to participate in a mortgage loan refinancing program aimed at reducing the payment burden on and improving the asset quality of outstanding mortgage loans. See **Risks relating to our consumer credit portfolio** We may experience increases in delinquencies in our consumer loan and credit card portfolios.

The Korean government may in the future request financial institutions in Korea, including us, to make investments in or provide other forms of financial support to particular sectors of the Korean economy as a matter of policy, which financial institutions, including us, may decide to accept. We may incur costs or losses as a result of providing such financial support.

The Financial Services Commission may impose burdensome measures on us if it deems us to be financially unsound.

If the Financial Services Commission deems our financial condition to be unsound, or if we fail to meet applicable regulatory standards, such as minimum capital adequacy and liquidity ratios, the Financial Services Commission may order or recommend, among other things:

admonitions or warnings with respect to our officers;

capital increases or reductions;

assignments of contractual rights and obligations relating to financial transactions;

a suspension of performance by our officers of their duties and the appointment of receivers;

disposals of property holdings or closures of subsidiaries or branch offices or downsizing;

stock cancellations or consolidations;

mergers with other financial institutions;

acquisition of us by a third party; and

suspensions of a part or all of our business operations.

If any of these measures are imposed on us by the Financial Services Commission, they could hurt our business, results of operations and financial condition. In addition, if the Financial Services Commission orders us to partially or completely reduce our capital, you may lose part or all of your investment.

Risks relating to Korea

Unfavorable financial and economic developments in Korea may have an adverse effect on us.

We are incorporated in Korea, and substantially all of our operations are located in Korea. As a result, we are subject to political, economic, legal and regulatory risks specific to Korea. The economic indicators in Korea in recent years have shown mixed signs of growth and uncertainty, and future growth of the Korean economy is subject to many factors beyond our control, including developments in the global economy.

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In recent years, adverse conditions and volatility in the worldwide financial markets, fluctuations in oil and commodity prices and the general weakness of the global economy have contributed to the uncertainty of global economic prospects in general and have adversely affected, and may continue to adversely affect, the Korean economy. See Other risks relating to our business. Difficult conditions in the global financial markets could adversely affect our results of operations and financial condition. The value of the Won relative to major foreign currencies has fluctuated significantly. See Item 3A. Selected Financial Data Exchange Rates. Furthermore, as a result of adverse global and Korean economic conditions, there has been volatility in the stock prices of Korean companies in recent years. Future declines in the Korea Composite Stock Price Index, known as the KOSPI, and large amounts of sales of Korean securities by foreign investors and subsequent repatriation of the proceeds of such sales may adversely affect the value of the Won, the foreign currency reserves held by financial institutions in Korea, and the ability of Korean companies to raise capital. Any future deterioration of the Korean or global economy could adversely affect our business, financial condition and results of operations.

Developments that could have an adverse impact on Korea's economy include:

difficulties in the financial sector and increased sovereign default risks in select countries and the resulting adverse effects on the global financial markets;

adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar, the euro or the Japanese yen exchange rates or revaluation of the Chinese renminbi), interest rates, inflation rates or stock markets;

continuing adverse conditions in the economies of countries and regions that are important export markets for Korea, such as China, the United States, Europe and Japan, or in emerging market economies in Asia or elsewhere;

decreases in the market prices of Korean real estate;

increasing delinquencies and credit defaults by consumer or small- and medium-sized enterprise borrowers;

declines in consumer confidence and a slowdown in consumer spending;

increasing levels of household debts;

difficulties in the financial sector in Korea, including the savings bank sector;

the continued growth of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to China), as well as a slowdown in the growth of China's economy, which is Korea's most important export market;

social and labor unrest;

a decrease in tax revenue and a substantial increase in the Korean government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that, together, would lead to an increased government budget

deficit;

financial problems or lack of progress in the restructuring of *chaebols*, other large troubled companies, their suppliers or the financial sector;

loss of investor confidence arising from corporate accounting irregularities and corporate governance issues concerning certain *chaebols*;

increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;

the economic impact of any pending or future free trade agreements;

geo-political uncertainty and risk of further attacks by terrorist groups around the world;

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natural or man-made disasters that have a significant adverse economic or other impact on Korea or its major trading partners;

the occurrence of severe health epidemics in Korea or other parts of the world, such as the recent Middle East Respiratory Syndrome outbreak in Korea;

deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy;

political uncertainty or increasing strife among or within political parties in Korea;

hostilities or political or social tensions involving oil producing countries in the Middle East and Northern Africa and any material disruption in the global supply of oil or increase in the price of oil;

an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States; and

changes in financial regulations in Korea.

Escalations in tensions with North Korea could have an adverse effect on us and the market price of our ADSs.

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In particular, since the death of Kim Jong-il in December 2011, there has been increased uncertainty with respect to the future of North Korea's political leadership and concern regarding its implications for political and economic stability in the region. Although Kim Jong-il's third son, Kim Jong-un, has assumed power as his father's designated successor, the long-term outcome of such leadership transition remains uncertain.

In addition, there have been heightened security concerns in recent years stemming from North Korea's nuclear weapon and long-range missile programs as well as its hostile military actions against Korea. Some of the significant incidents in recent years include the following:

From time to time, North Korea has conducted ballistic missile tests. Most recently in February 2016, North Korea launched a long-range rocket in violation of its agreement with the United States as well as United Nations sanctions barring it from conducting launches that use ballistic missile technology. Despite international condemnation, North Korea released a statement that it intends to continue its rocket launch program. Following the rocket launch, the Korean government announced that it would shut down the Gaeseong Industrial Complex, an industrial park jointly operated with North Korea, to prevent North Korea from using the funds earned through the industrial park in furtherance of its missile program. North Korea responded by declaring the industrial park a military control zone, expelling all Korean workers from, and freezing all Korean assets and equipment at, the industrial park.

North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted three rounds of nuclear tests between October 2006 to February 2013, which increased tensions in the region and elicited strong objections worldwide. In response, the United Nations Security Council unanimously passed resolutions that condemned North Korea for the nuclear tests and imposed sanctions against North Korea. In January 2016, North Korea conducted a fourth nuclear test, claiming that the test involved its first hydrogen bomb, a claim which has not been independently verified. In response to such test (as well as North Korea's long-range rocket launch in February 2016), the United Nations Security Council unanimously passed a resolution in March 2016 condemning North Korea's actions and significantly expanding the scope of the sanctions applicable to North Korea.

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In August 2015, two Korean soldiers were injured in a landmine explosion near the Korean demilitarized zone. Claiming the landmines were set by North Koreans, the Korean army re-initiated its propaganda program toward North Korea utilizing loudspeakers near the demilitarized zone. In retaliation, the North Korean army fired artillery rounds on the loudspeakers, resulting in the highest level of military readiness for both Koreas.

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In March 2013, North Korea stated that it had entered a state of war with Korea, declaring the 1953 armistice invalid, and put its artillery at the highest level of combat readiness to protest the Korea-United States allies' military drills and additional sanctions imposed on North Korea for its missile and nuclear tests.

In March 2010, a Korean naval vessel was destroyed by an underwater explosion, killing many of the crewmen on board. The Korean government formally accused North Korea of causing the sinking, while North Korea denied responsibility. Moreover, in November 2010, North Korea fired more than one hundred artillery shells that hit Korea's Yeonpyeong Island near the Northern Limit Line, which acts as the de facto maritime boundary between Korea and North Korea on the west coast of the Korean peninsula, causing casualties and significant property damage. The Korean government condemned North Korea for the attack and vowed stern retaliation should there be further provocation.

North Korea's economy also faces severe challenges, which may further aggravate social and political pressures within North Korea. There can be no assurance that the level of tensions affecting the Korean peninsula will not escalate in the future. Any further increase in tensions, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between Korea and North Korea break down or military hostilities occur, could have a material adverse effect on the Korean economy and on our business, financial condition and results of operations and the market value of our common stock and ADSs.

Labor unrest in Korea may adversely affect our operations.

Economic difficulties in Korea or increases in corporate reorganizations and bankruptcies could result in layoffs and higher unemployment. Such developments could lead to social unrest and substantially increase government expenditures for unemployment compensation and other costs for social programs. According to statistics from the Korea National Statistical Office, the unemployment rate was 3.1% in 2013, increased to 3.5% in 2014 and further increased to 3.6% in 2015. Further increases in unemployment and any resulting labor unrest in the future could adversely affect our operations, as well as the operations of many of our customers and their ability to repay their loans, and could adversely affect the financial condition of Korean companies in general, depressing the price of their securities. Furthermore, the government's privatization plan with respect to us contemplates the sale of its ownership interest in us to a third party, which may lead to labor unrest among our employees. See Item 4A. History and Development of the Company Privatization Plan. Any of these developments may have an adverse effect on our financial condition and results of operations.

Risks relating to our common stock and ADSs***The market price of our common stock and ADSs could be adversely affected by the ability of the KDIC to sell or otherwise dispose of large blocks of our common stock.***

The KDIC currently owns 345,142,556 shares, or 51.06%, of our outstanding common stock. In the future, the KDIC may choose to sell large blocks of our common stock publicly or privately to a strategic or financial investor, including for the purpose of recovering the public funds it injected into us. For example, in September 2004, the KDIC sold approximately 45 million shares of our common stock, which constituted 5.7% of our outstanding common stock, and in June 2007, the KDIC disposed of approximately 40 million shares of our common stock, which constituted 5.0% of our outstanding common stock. In addition, in November 2009, the KDIC sold approximately 56 million shares of our common stock, which constituted 7.0% of our outstanding common stock, and in April 2010, the KDIC disposed of approximately 73 million shares of our common stock, which constituted 9.0% of our outstanding common stock. Most recently, in December 2014, the KDIC sold 40,143,022 shares of our common stock, which constituted 5.9% of our outstanding common stock.

In June 2013, the Korean government, through the Public Funds Oversight Committee of the Financial Services Commission, announced an updated plan to privatize Woori Finance Holdings and its former subsidiaries, including us. The privatization plan provided for the segregation of such entities into three groups and the disposal of the Korean government's interest in these entities held through the KDIC in a series of transactions, many of which have been completed. See Risks relating to our structure and strategy. The

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implementation of the Korean government's privatization plan may have an adverse effect on us and your interests as a shareholder. The privatization plan may be changed by the Korean government, or its further implementation may be delayed, depending on market conditions and other factors. We do not know precisely when, how or what percentage of our shares owned by the KDIC will ultimately be disposed of, or to whom such shares will be sold. As a result, we cannot predict the impact of any such transactions on us or our stock prices. The implementation of the Korean government's privatization plan with respect to us, including future sales of our common stock by the KDIC or the possibility that such transactions may occur, could adversely affect the prevailing market prices of our common stock and ADSs.

Ownership of our common stock is restricted under Korean law.

Under the Bank Act, a single shareholder, together with its affiliates, is generally prohibited from owning more than 10.0% of a nationwide bank's total issued and outstanding shares with voting rights or more than 15.0% of a regional bank's total issued and outstanding shares with voting rights, with the exception of certain shareholders that are non-financial business group companies, whose applicable limit was reduced from 9.0% to 4.0% pursuant to an amendment of the Bank Act which became effective on February 14, 2014. To the extent that the total number of shares of our common stock (including those represented by ADSs) that you and your affiliates own together exceeds the applicable limits, you will not be entitled to exercise the voting rights for the excess shares, and the Financial Services Commission may order you to dispose of the excess shares within a period of up to six months. Failure to comply with such an order would result in an administrative fine of up to 0.03% of the book value of such shares per day until the date of disposal. Non-financial business group companies may not acquire beneficial ownership of shares of a nationwide bank in excess of 4.0% of such bank's outstanding voting shares, unless they obtain the approval of the Financial Services Commission and agree not to exercise voting rights in respect of shares in excess of the 4.0% limit, in which case they may acquire beneficial ownership of up to 10.0% of such nationwide bank's outstanding voting shares. See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Banks Restrictions on Bank Ownership. In addition, if the shareholding of any single shareholder, together with its affiliates, increases to a level exceeding the applicable limits as a result of a merger, such shareholder will be restricted from exercising its voting rights in respect of shares in excess of the applicable limit pursuant to the Bank Act from the effective date of the merger, and will be required to dispose of such excess shares within three years after such effective date.

You will not be able to exercise dissent and appraisal rights unless you have withdrawn the underlying shares of our common stock and become our direct shareholder.

In some limited circumstances, including the transfer of the whole or any significant part of our business and the merger or consolidation of us with another company, dissenting shareholders have the right to require us to purchase their shares under Korean law. However, if you hold our ADSs, you will not be able to exercise such dissent and appraisal rights if the depositary refuses to do so on your behalf. Our deposit agreement does not require the depositary to take any action in respect of exercising dissent and appraisal rights. In such a situation, holders of our ADSs must withdraw the underlying common stock from the ADS facility (and incur charges relating to that withdrawal) and become our direct shareholder prior to the record date of the shareholders' meeting at which the relevant transaction is to be approved, in order to exercise dissent and appraisal rights.

You may be limited in your ability to deposit or withdraw common stock.

Under the terms of our deposit agreement, holders of common stock may deposit such stock with the depositary's custodian in Korea and obtain ADSs, and holders of ADSs may surrender ADSs to the depositary and receive common stock. However, to the extent that a deposit of common stock exceeds any limit that we may specify from time to time, that common stock will not be accepted for deposit unless our consent with respect to such deposit has been obtained. We currently have not set any such limit; however, we have the right to do so at any time. Under the terms of the deposit agreement, no consent would be required if the shares of common stock were to be obtained through a dividend, free distribution, rights offering or reclassification of such stock. We have consented, under the terms of the deposit agreement, to any deposit unless the deposit would be prohibited

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by applicable laws or violate our articles of incorporation. If we choose to impose a limit on deposits in the future, however, we might not consent to the deposit of any additional common stock. In that circumstance, if you surrender ADSs and withdraw common stock, you may not be able to deposit the stock again to obtain ADSs. See Item 9C. Markets Restrictions Applicable to Shares.

You will not have preemptive rights in some circumstances.

The Korean Commercial Code of 1962, as amended, and our articles of incorporation require us, with some exceptions, to offer shareholders the right to subscribe for new shares of our common stock in proportion to their existing shareholding ratio whenever new shares are issued. If we offer any rights to subscribe for additional shares of our common stock or any rights of any other nature, the depositary, after consultation with us, may make the rights available to holders of our ADSs or use commercially feasible efforts to dispose of the rights on behalf of such holders, in a riskless principal capacity, and make the net proceeds available to such holders. The depositary will make rights available to holders of our ADSs only if:

we have requested in a timely manner that those rights be made available to such holders;

the depositary has received the documents that are required to be delivered under the terms of the deposit agreement, which may include confirmation that a registration statement filed by us under the U.S. Securities Act of 1933, as amended (the Securities Act), is in effect with respect to those shares or that the offering and sale of those shares is exempt from or is not subject to the registration requirements of the Securities Act; and

the depositary determines, after consulting with us, that the distribution of rights is lawful and commercially feasible.

Holders of our common stock located in the United States may not exercise any rights they receive absent registration or an exemption from the registration requirements under the Securities Act.

We are under no obligation to file any registration statement with the U.S. Securities and Exchange Commission or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings. If a registration statement is required for you to exercise preemptive rights but is not filed by us or is not declared effective, you will not be able to exercise your preemptive rights for additional ADSs and you will suffer dilution of your equity interest in us. If the depositary is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or feasible, it will allow the rights to lapse, in which case you will receive no value for these rights.

Your dividend payments and the amount you may realize upon a sale of your ADSs will be affected by fluctuations in the exchange rate between the U.S. dollar and the Won.

Our common stock is listed on the KRX KOSPI Market and quoted and traded in Won. Cash dividends, if any, in respect of the shares represented by the ADSs will be paid to the depositary in Won and then converted by the depositary into U.S. dollars, subject to certain conditions. Accordingly, fluctuations in the exchange rate between the Won and the U.S. dollar will affect, among other things, the amounts you will receive from the depositary in respect of dividends, the U.S. dollar value of the proceeds that you would receive upon sale in Korea of the shares of our common stock obtained upon surrender of ADSs and the secondary market price of ADSs. Such fluctuations will also affect the U.S. dollar value of dividends and sales proceeds received by holders of our common stock.

The market value of your investment may fluctuate due to the volatility of, and government intervention in, the Korean securities market.

Our common stock is listed on the KRX KOSPI Market, which has a smaller market capitalization and is more volatile than the securities markets in the United States and many European countries. The market value of ADSs may fluctuate in response to the fluctuation of the trading price of shares of our common stock on the

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KRX KOSPI Market. The KRX KOSPI Market has experienced substantial fluctuations in the prices and volumes of sales of listed securities and the KRX KOSPI Market has prescribed a fixed range in which share prices are permitted to move on a daily basis. The KOSPI was 2,015.49 on April 22, 2016. There is no guarantee that the stock prices of Korean companies will not decline again in the future. Like other securities markets, including those in developed markets, the Korean securities market has experienced problems including market manipulation, insider trading and settlement failures. The recurrence of these or similar problems could have a material adverse effect on the market price and liquidity of the securities of Korean companies, including our common stock and ADSs, in both the domestic and the international markets.

The Korean government has the potential ability to exert substantial influence over many aspects of the private sector business community, and in the past has exerted that influence from time to time. For example, the Korean government has induced mergers to reduce what it considers excess capacity in a particular industry and has also induced private companies to publicly offer their securities. Similar actions in the future could have the effect of depressing or boosting the Korean securities market, whether or not intended to do so. Accordingly, actions by the government, or the perception that such actions are taking place, may take place or has ceased, may cause sudden movements in the market prices of the securities of Korean companies in the future, which may affect the market price and liquidity of our common stock and ADSs.

If the Korean government deems that emergency circumstances are likely to occur, it may restrict you and the depositary from converting and remitting dividends and other amounts in U.S. dollars.

If the Korean government deems that certain emergency circumstances, including, but not limited to, severe and sudden changes in domestic or overseas economic circumstances, extreme difficulty in stabilizing the balance of payments or implementing currency, exchange rate and other macroeconomic policies, have occurred or are likely to occur, it may impose certain restrictions provided for under the Foreign Exchange Transaction Law, including the suspension of payments or requiring prior approval from governmental authorities for any transaction. See Item 10D. Exchange Controls General.

Other Risks

You may not be able to enforce a judgment of a foreign court against us.

We are a corporation with limited liability organized under the laws of Korea. Substantially all of our directors and officers and other persons named in this annual report reside in Korea, and all or a significant portion of the assets of our directors and officers and other persons named in this annual report and substantially all of our assets are located in Korea. As a result, it may not be possible for you to effect service of process within the United States, or to enforce against them or us in the United States judgments obtained in United States courts based on the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated on the United States federal securities laws.

Item 4. INFORMATION ON THE COMPANY**Item 4A. History and Development of the Company Overview**

We were originally established in 1899 and operated as the Commercial Bank of Korea until 1998. In 1998, we were acquired by the KDIC and merged with another commercial bank, Hanil Bank, which had been established in 1932. We were the surviving entity in the merger and were renamed Hanvit Bank.

In March 2001, the KDIC established a financial holding company, Woori Finance Holdings, to consolidate its ownership interests in four commercial banks (including us), one merchant bank and a number of smaller financial institutions. See History. We were renamed Woori Bank in 2002 and operated as a wholly-owned subsidiary of Woori Finance Holdings through October 2014. Woori Finance Holdings registered its common stock under Section 12(b) of the Exchange Act and listed ADSs representing its common stock on the New York Stock Exchange, in September 2003.

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On November 1, 2014, Woori Finance Holdings merged with and into us, such that we remained as the surviving entity, and Woori Finance Holdings ceased to exist, after the merger. In connection with the merger, shareholders of Woori Finance Holdings received one share of our common stock for each share of common stock of Woori Finance Holdings they held. See Privatization Plan Merger with Woori Finance Holdings. The merger constituted a succession for purposes of Rule 12g-3(a) under the Exchange Act, such that our common stock was deemed registered under Section 12(b) of the Exchange Act by operation of Rule 12g-3(a). Following the merger, we file reports under the Exchange Act as the successor issuer to Woori Finance Holdings.

Our legal and commercial name is Woori Bank. Our registered office and corporate headquarters are located at 51, Sogong-ro, Jung-gu, Seoul, Korea. Our telephone number is 822-2002-3000. Our website address is <http://www.wooribank.com>.

History

Establishment of Woori Finance Holdings

In response to a financial and economic downturn in Korea beginning in late 1997, the Korean government announced and implemented a series of comprehensive policy packages to address structural weaknesses in the Korean economy and the financial sector. As part of these measures, on October 1, 1998, the KDIC purchased 95.0% of the outstanding shares of the Commercial Bank of Korea and 95.6% of the outstanding shares of Hanil Bank, and subsequently merged Hanil Bank into the Commercial Bank of Korea (which was renamed Hanvit Bank). These banks had suffered significant losses in 1997 and 1998. The Korean government took pre-emptive measures to ensure the survival of these and other banks as it believed that bank failures would have a substantial negative impact on the Korean economy.

In December 2000, the Korean government wrote down the capital of Hanvit Bank, as well as Kyongnam Bank, Kwangju Bank and Peace Bank of Korea, to zero. It accomplished this by having the Financial Services Commission issue a capital reduction order with respect to these banks pursuant to its regulatory authority. The Korean government also decided to recapitalize these banks by injecting public funds through the KDIC. In December 2000, the KDIC made initial capital injections to Hanvit Bank (2,764 billion), Kyongnam Bank (259 billion), Kwangju Bank (170 billion) and Peace Bank of Korea (273 billion), in return for new shares of those banks. The KDIC also agreed to make additional capital contributions, not involving the issuance of new shares, in the future, which were made in September 2001 to Hanvit Bank (1,877 billion), Kyongnam Bank (94 billion), Kwangju Bank (273 billion) and Peace Bank of Korea (339 billion).

In addition, in November 2000, the KDIC established Hanaro Merchant Bank to restructure substantially all of the assets and liabilities of four failed merchant banks (Yeungnam Merchant Banking Corporation, Central Banking Corporation, Korea Merchant Banking Corporation and H&S Investment Bank) that were transferred to it.

In March 2001, the KDIC established Woori Finance Holdings as a new financial holding company and transferred all of the shares in each of Hanvit Bank, Kyongnam Bank, Kwangju Bank, Peace Bank of Korea and Hanaro Merchant Bank held by the KDIC to Woori Finance Holdings in exchange for its newly issued shares. Accordingly, Woori Finance Holdings became the sole owner of those entities. Woori Finance Holdings subsequently listed its common stock on the KRX KOSPI Market in June 2002.

Our name was changed from Hanvit Bank to Woori Bank in May 2002.

Memoranda of Understanding

In connection with the recapitalization by the KDIC of the entities (including us) that became subsidiaries of Woori Finance Holdings and its establishment, such entities, Woori Finance Holdings and the KDIC entered into a number of memoranda of understanding, including the following.

Memoranda of Understanding between Woori Finance Holdings Subsidiaries and the KDIC. In December 2000, in connection with the capital contributions made by the KDIC into each of us, Kwangju Bank, Kyongnam Bank, Peace Bank of Korea and Hanaro Merchant Bank, these entities entered into separate memoranda of understanding with the KDIC that included business normalization plans. The memoranda of understanding were

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substantially identical with respect to each entity and primarily dealt with each entity's obligation to implement a two-year business normalization plan covering 2001 and 2002. To the extent that any entity fails to implement its business normalization plan or to meet financial targets specified in the plan, the KDIC has the right to impose sanctions on that entity's directors or employees, or to require the entity to take certain actions. In addition, each entity is required to take all actions necessary to enable it to return to the KDIC any public funds injected into them, so long as that action does not cause a material adverse effect on the normalization of business operations as contemplated by the memorandum of understanding.

Each entity prepared a two-year business normalization plan that was approved by the KDIC. Each plan included recapitalization goals and deadlines, econometric models, plans to dispose of non-performing loans, cost reduction initiatives, future management and business strategies and other restructuring plans. Each plan also set forth financial targets for each quarter of 2001 and 2002 that the applicable entity was required to meet.

Since 2000, we have periodically entered into new business normalization plans with the KDIC, with new restructuring measures and financial targets. The other entities did so as well, until their merger or disposition by Woori Finance Holdings, pursuant to which their memoranda of understanding with the KDIC were terminated. See [Privatization Plan](#). In April 2014, the KDIC imposed an institutional warning on us in connection with our failure to meet our financial targets for return on assets and non-performing loan ratio as of December 31, 2013. In April 2015, the KDIC imposed an institutional warning on us in connection with our failure to meet our financial target for expense-to-revenue ratio as of December 31, 2014. In April 2016, while we failed to meet our financial target for expense-to-revenue ratio, the KDIC waived institutional measures due to our satisfaction of the other financial targets and the consideration of certain factors.

In March 2016, we entered into a new one-year business normalization plan with the KDIC. See [Recent Developments with the KDIC](#).

Memorandum of Understanding between Woori Finance Holdings and the KDIC. In July 2001, Woori Finance Holdings entered into a memorandum of understanding with the KDIC, which included a business normalization plan. Under this memorandum, Woori Finance Holdings was required to take all actions necessary (including making dividend payments and share buybacks and cancellations) to return the public funds injected into it by the KDIC, but only to the extent that these actions would not cause a material adverse effect on the contemplated normalization of its operations.

The business normalization plan included in the memorandum of understanding set financial targets for Woori Finance Holdings' capital ratio, return on total assets, expense-to-revenue ratio, operating income per employee, non-performing loan ratio and holding company expense ratio, which it was required to meet on a semi-annual basis. Woori Finance Holdings periodically entered into a new business normalization plan with the KDIC, with new restructuring measures and financial targets. In April 2014, the KDIC imposed an institutional warning on Woori Finance Holdings in connection with its failure to meet its financial targets for return on assets, expense-to-revenue ratio and non-performing loan ratio as of December 31, 2013. Woori Finance Holdings' memorandum of understanding with the KDIC was terminated in connection with its merger with and into us in November 2014. See [Privatization Plan](#).

Recent Developments with the KDIC. In March 2016, we entered into a new one-year business normalization plan with the KDIC that included new restructuring measures and financial targets. Such new plan also provides that the calculation of income amounts to be used in measuring compliance with financial targets for return on total assets and return on total equity as of or for the year ending December 31, 2016 will be subject to an adjustment to negate the effect of any decrease in our net interest margin. In addition, the plan primarily deals with ways to increase labor and cost efficiency, strengthen our risk management system, improve our asset quality and improve our profitability. The other terms of the previously agreed memorandum of understanding remain unchanged.

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Our one-year business normalization plan sets forth four financial targets for fiscal year 2016 that we are required to meet, with quarterly targets being set internally by us in accordance with the year-end targets. Our targets for fiscal year 2016 are set forth in the following table:

	2016			
	March	June	September	December
Capital adequacy ratio ⁽¹⁾	10.0%	10.0%	10.0%	10.0%
Return on total assets ⁽²⁾	0.08	0.10	0.12	0.29
Return on total equity ⁽³⁾	1.0	1.2	1.4	3.8
Non-performing loan ratio ⁽⁴⁾	1.9	1.8	1.7	1.1

(1) For a description of how the capital adequacy ratio is calculated, see Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Banks Capital Adequacy.

(2) Represents the ratio of net income to total assets.

(3) Represents the ratio of net income to total equity.

(4) Represents the ratio of total loans classified as substandard or below to total loans, in each case, net of allowances.

We expect that we will be required to enter into new business normalization plans with the KDIC every year so long as the KDIC remains our largest shareholder.

Reorganization and Expansion Plans

Following its establishment and its acquisition of its subsidiaries, Woori Finance Holdings developed a reorganization and integration plan designed to reorganize the corporate structure of some of its subsidiaries and integrate its operations under a single management structure. As part of this plan:

From December 2001 through February 2002, Peace Bank of Korea was restructured by:

splitting off its commercial banking operations and merging them into us;

changing the name of Peace Bank of Korea to Woori Credit Card; and

transferring our credit card operations to Woori Credit Card.

In March 2003, the credit card operations of Kwangju Bank were transferred to Woori Credit Card.

In August 2003, Woori Investment Bank was merged with us.

In succeeding years, Woori Finance Holdings adopted plans to further reorganize and expand its operations, including through mergers, acquisitions and investments. Pursuant to such reorganization and expansion plans:

In March 2004, Woori Credit Card was merged with us.

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In October and December 2004, Woori Finance Holdings acquired an aggregate 27.3% voting interest in LG Investment & Securities Co., Ltd., which was subsequently renamed Woori Investment & Securities.

In May 2005, Woori Finance Holdings acquired a 90.0% interest in LG Investment Trust Management Co., Ltd., which was subsequently renamed Woori Asset Management.

In October 2005, we established Woori Private Equity as a consolidated subsidiary.

In April 2008, Woori Finance Holdings acquired a 51.0% interest in LIG Life Insurance Co., Ltd., which was subsequently renamed Woori Aviva Life Insurance.

In March 2011, Woori Finance Holdings acquired certain assets and assumed certain liabilities of Samhwa Mutual Savings Bank through a newly established subsidiary, Woori FG Savings Bank.

In September 2012, Woori FG Savings Bank acquired certain assets and assumed certain liabilities of Solomon Mutual Savings Bank.

In October 2012, Woori Finance Holdings established Woori Finance Research Institute, which engages in economic and finance research, management consulting, and management and sales of intellectual property rights.

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In April 2013, we effected a spin-off of our credit card business into a newly established wholly-owned subsidiary of Woori Finance Holdings, Woori Card.

In June 2013, through an internal reorganization, Kumho Investment Bank (previously a subsidiary of Woori Private Equity and subsequently renamed Woori Investment Bank), in which Woori Finance Holdings held a 41.6% interest, became its consolidated subsidiary, and 70 billion of new capital was injected into such entity.

In January 2014, we completed the purchase of an additional 27% equity interest (in addition to the 6% equity interest we previously acquired through our subsidiary PT. Bank Woori Indonesia) in PT. Bank Himpunan Saudara 1906, an Indonesian commercial bank with a network of over 100 branches and offices throughout Indonesia. In December 2014, PT. Bank Woori Indonesia merged with and into PT. Bank Himpunan Saudara 1906. The merged entity, in which we hold a 74.0% equity interest, was renamed PT Bank Woori Saudara Indonesia 1906, Tbk and became our consolidated subsidiary.

In December 2015, we entered into an investment agreement to acquire a 51% equity interest in Wealth Development Bank Corp., a savings bank in the Philippines with a network of 16 branches and approximately 300 employees, by purchasing newly issued shares for approximately US\$20 million. The completion of the proposed investment is subject to a number of conditions, including receipt of all regulatory approvals in the Philippines and Korea.

Privatization Plan

In June 2013, the Korean government, through the Public Funds Oversight Committee of the Financial Services Commission, announced an updated plan to privatize Woori Finance Holdings and its former subsidiaries, including us. The privatization plan provided for the segregation of such entities into three groups and the disposal of the Korean government's interest in these entities held through the KDIC in a series of transactions, many of which have been completed. Such transactions include:

Kwangju Bank and Kyongnam Bank. In May 2014, Woori Finance Holdings established KJB Financial Group and KNB Financial Group through a spin-off of its businesses related to the holding of the shares and thereby controlling the business operations of Kwangju Bank and Kyongnam Bank, respectively. As a result of such spin-off, KJB Financial Group became the owner of the shares of Kwangju Bank previously held by Woori Finance Holdings, and KNB Financial Group became the owner of the shares of Kyongnam Bank previously held by Woori Finance Holdings. Woori Finance Holdings no longer owned any shares of Kwangju Bank or Kyongnam Bank, and neither they nor their new holding companies were its subsidiaries, after the spin-off. See Spin-off of Kwangju Bank and Kyongnam Bank. Following such spin-off, each of these banks was merged with its holding company, and in October 2014, the KDIC sold its 56.97% ownership interest in Kwangju Bank and Kyongnam Bank to JB Financial Group and BS Financial Group, respectively.

Woori Investment & Securities and Other Subsidiaries. In March 2014, Woori Finance Holdings sold its 52.0% ownership interest in Woori Financial to KB Financial Group. In May 2014, Woori Finance Holdings sold its 100.0% ownership interest in Woori Asset Management to Kiwoom Securities and sold its 100.0% ownership interest in Woori F&I to Daishin Securities. In June 2014, Woori Finance Holdings sold its 37.9% ownership interest in Woori Investment & Securities, its 51.6% ownership interest in Woori Aviva Life Insurance and its 100.0% ownership interest in Woori FG Savings Bank to NongHyup Financial Group in a collective sale. As a result of such sales, Woori Investment & Securities, Woori Asset Management, Woori Aviva Life Insurance, Woori FG Savings Bank, Woori F&I and Woori Financial were no longer subsidiaries of Woori Finance Holdings, and it no longer owned any shares in such former subsidiaries. See Disposal of Woori Financial, Woori Asset Management, Woori F&I, Woori Investment & Securities, Woori Aviva Life Insurance and Woori FG Savings Bank.

Woori Bank. In November 2014, Woori Finance Holdings merged with and into us. As a result of the merger, the other former subsidiaries of Woori Finance Holdings, including Woori Card, Woori Private

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Equity, Woori FIS, Woori Investment Bank and Woori Finance Research Institute, became our subsidiaries. In December 2014, the KDIC sold 40,143,022 shares of our common stock in a private sale in Korea, as a result of which its ownership interest in us was reduced to 51.04% at such time. We expect the KDIC to sell all or a portion of the remaining shares of our common stock it owns to one or more purchasers in the future. See *Merger with Woori Finance Holdings*.

The implementation of the Korean government's privatization plan, including the merger of Woori Finance Holdings with and into us and the expected sale of the KDIC's remaining ownership interest in us to third parties, is likely to have a significant impact on us. For example, the loss of the Korean government as our indirect controlling shareholder, the spin-off of Kwangju and Kyongnam Bank and the loss of our former affiliates such as Woori Investment & Securities that had complementary businesses may have a material adverse effect on our credit profile and credit ratings, as well as our business, financial condition and results of operations. Furthermore, the sale of a controlling interest in us to one or more third parties may result in a change in our business, management, strategy, capital structure and assets and liabilities and lead to diversion of management attention, a loss of customers and labor unrest. In addition, such sale may require us to integrate our operations and systems with those of the purchasers or their affiliates and to reorganize or reduce overlapping personnel, branches, networks and administrative functions.

Spin-off of Kwangju Bank and Kyongnam Bank

In August 2013, the board of directors of Woori Finance Holdings approved a plan to establish two new companies, KJB Financial Group and KNB Financial Group (which we refer to as the New Holdcos), through a spin-off (which we refer to as the Spin-off) of its businesses related to the holding of the shares and thereby controlling the business operations of Kwangju Bank and Kyongnam Bank, respectively. The Spin-off was approved at an extraordinary general meeting of the shareholders of Woori Finance Holdings held on January 28, 2014 and was effected on May 1, 2014. After the Spin-off, KJB Financial Group owned the shares of Kwangju Bank previously held by Woori Finance Holdings, and KNB Financial Group owned the shares of Kyongnam Bank previously held by Woori Finance Holdings. Woori Finance Holdings no longer owned any shares of Kwangju Bank or Kyongnam Bank, and neither they nor the New Holdcos were its subsidiaries, after the Spin-off. Following the Spin-off, each of these banks was merged with the relevant New Holdco.

As of December 31, 2013, Kwangju Bank had total assets of 18,873 billion (including total loans of 13,447 billion) and total liabilities of 17,429 billion (including total deposits of 13,531 billion), on a consolidated basis. For the year ended December 31, 2013, Kwangju Bank's interest income amounted to 832 billion, its interest expense amounted to 417 billion and its net income amounted to 61 billion, on a consolidated basis. As of December 31, 2013, Kyongnam Bank had total assets of 31,714 billion (including total loans of 24,572 billion) and total liabilities of 29,454 billion (including total deposits of 23,773 billion), on a consolidated basis. For the year ended December 31, 2013, Kyongnam Bank's interest income amounted to 1,324 billion, its interest expense amounted to 672 billion and its net income amounts to 130 billion, on a consolidated basis.

The Spin-off was accomplished through a pro rata distribution of common stock, par value 5,000 per share, of KJB Financial Group and KNB Financial Group to the holders of Woori Finance Holdings' common stock. Specifically, on May 21, 2014, each holder of Woori Finance Holdings' common stock as of the record date of April 30, 2014 received 0.0637 shares of common stock of KJB Financial Group and 0.0973 shares of common stock of KNB Financial Group for each share of Woori Finance Holdings' common stock held by such holder. Holders of Woori Finance Holdings' ADSs did not receive any common stock of the New Holdcos in connection with the Spin-off. Instead, the depositary for Woori Finance Holdings' American depositary receipts program sold the New Holdcos' common stock it received in the Spin-off, in a riskless principal capacity, and distributed the net proceeds of such sale to holders of the ADSs, after deducting applicable fees and expenses of the depositary and applicable taxes and other governmental charges. Neither of the New Holdcos issued any ADSs or established any American depositary receipts program following the Spin-off.

As a result of the Spin-off, pursuant to share consolidation procedures under Korean law, the outstanding shares of Woori Finance Holdings' common stock were consolidated as of May 1, 2014 such that the

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shareholders recorded in its shareholder register as of the record date of April 30, 2014 were allotted 0.8390 shares of its common stock in exchange for each previously outstanding share. Woori Finance Holdings' outstanding ADSs were also consolidated as of May 1, 2014 such that holders of such ADSs recorded in the transfer books of the depository as of the record date of April 30, 2014 were allotted 0.8390 ADSs in exchange for each previously outstanding ADS.

In October 2014, the KDIC sold its 56.97% ownership interest in Kwangju Bank and Kyongnam Bank to JB Financial Group and BS Financial Group, respectively.

Disposal of Woori Financial, Woori Asset Management, Woori F&I, Woori Investment & Securities, Woori Aviva Life Insurance and Woori FG Savings Bank

On March 20, 2014, Woori Finance Holdings sold its 52.0% ownership interest in Woori Financial to KB Financial Group for the sale price of 280 billion. As of December 31, 2013, Woori Financial had total assets of 3,940 billion and total liabilities of 3,528 billion on a consolidated basis. For the year ended December 31, 2013, Woori Financial's operating revenues amounted to 338 billion, and its net income amounted to 54 billion, on a consolidated basis.

In May 2014, Woori Finance Holdings sold its 100.0% ownership interest in Woori Asset Management to Kiwoom Securities for the sale price of 76 billion. As of December 31, 2013, Woori Asset Management had total assets of 85 billion and total liabilities of 17 billion on a consolidated basis. For the year ended December 31, 2013, Woori Asset Management's operating revenues amounted to 32 billion, and its net income amounted to 4 billion, on a consolidated basis.

In June 2014, Woori Finance Holdings sold its 100.0% ownership interest in Woori F&I to Daishin Securities for the sale price of 368 billion. As of December 31, 2013, Woori F&I had total assets of 1,641 billion and total liabilities of 1,336 billion on a consolidated basis. For the year ended December 31, 2013, Woori F&I's operating revenues amounted to 184 billion, and its net income amounted to 49 billion, on a consolidated basis.

In June 2014, Woori Finance Holdings sold its 37.9% ownership interest in Woori Investment & Securities, its 51.6% ownership interest in Woori Aviva Life Insurance and its 100.0% ownership interest in Woori FG Savings Bank to NongHyup Financial Group Inc. for the sale price of 1,039 billion in a collective sale. As of December 31, 2013, Woori Investment & Securities, Woori Aviva Life Insurance and Woori FG Savings Bank had total assets of 29,982 billion, 4,466 billion and 823 billion, respectively, on a consolidated basis, and total liabilities of 26,534 billion, 4,309 billion and 699 billion, respectively, on a consolidated basis. For the year ended December 31, 2013, operating revenues of Woori Investment & Securities, Woori Aviva Life Insurance and Woori FG Savings Bank amounted to 4,027 billion, 982 billion and 85 billion, respectively, on a consolidated basis, and net income of Woori Investment & Securities and Woori Aviva Life Insurance amounted to 48 billion and 2 billion, respectively, on a consolidated basis. For the year ended December 31, 2013, Woori FG Savings Bank had a net loss of 34 billion.

Merger with Woori Finance Holdings

In July 2014, we entered into a merger agreement with Woori Finance Holdings, providing for the merger of Woori Finance Holdings with and into us. The merger agreement was approved by the shareholders of Woori Finance Holdings at an extraordinary general meeting held on October 10, 2014. Pursuant to the merger agreement, Woori Finance Holdings merged with and into us on November 1, 2014, such that we remained as the surviving entity, and Woori Finance Holdings ceased to exist, after the merger. In connection with the merger, shareholders of Woori Finance Holdings recorded in its shareholder register as of November 1, 2014 received one share of our common stock for each share of common stock of Woori Finance Holdings they held.

As a result of the merger, the other remaining subsidiaries of Woori Finance Holdings, including Woori Card, Woori Private Equity, Woori FIS, Woori Investment Bank and Woori Finance Research Institute, became our subsidiaries. Accordingly, our overall business and operations after the merger, on a consolidated basis, are substantially identical to those of Woori Finance Holdings on a consolidated basis prior to the merger.

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The following chart sets forth the corporate organization of Woori Finance Holdings and its subsidiaries prior to the merger:

The following chart sets forth our corporate organization following the merger:

We were an unlisted corporation prior to the merger, while Woori Finance Holdings had its common stock listed on the KRX KOSPI Market and its ADSs listed on the New York Stock Exchange. Following the merger, we became newly listed on the KRX KOSPI Market and succeeded to Woori Finance Holdings' listing on the New York Stock Exchange.

The shareholders of Woori Finance Holdings were entitled to exercise appraisal rights with respect to its common stock held by them at a purchase price of \$12,422 per share, in accordance with Korean law. The period for exercise of appraisal rights started on October 11, 2014 and ended on October 21, 2014, during which shareholders exercised appraisal rights with respect to an aggregate of 64,832 shares of common stock of Woori Finance Holdings. The payment of the purchase price for such common stock held by the exercising shareholders was made on October 30, 2014, in the aggregate amount of \$805 million. Such common stock purchased by Woori Finance Holdings was exchanged for our common stock in the merger and will be held by us as treasury shares. We are required under applicable Korean law to dispose of such treasury shares within five years after the date of their acquisition.

Pursuant to the Korean government's privatization plan, in December 2014, the KDIC sold 40,143,022 shares of our common stock in a private sale in Korea, as a result of which its ownership interest in us was reduced to 51.04% at such time. We expect the KDIC to sell all or a portion of the remaining shares of our common stock it owns to one or more purchasers in the future.

Item 4B. Business Overview

We are the second-largest commercial bank in Korea, in terms of total assets (including loans) as of December 31, 2015. Our operations include a broad range of businesses, including corporate banking, consumer banking, credit card operations, investment banking, capital markets activities and other businesses. We provide a wide range of products and services to our customers, which mainly comprise small- and medium-sized enterprises

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and individuals, as well as some of Korea's largest corporations. As of December 31, 2015, we had, on a consolidated basis, total assets of 291,859 billion, total liabilities of 272,549 billion and total equity of 19,310 billion.

The Korean government, which currently owns 51.06% of our outstanding common stock through the KDIC, has been implementing a privatization plan with respect to Woori Finance Holdings and its former subsidiaries, including us. See Item 4A. History and Development of the Company Privatization Plan. In light of their dispositions under the privatization plan, which were completed during 2014, Kwangju Bank, Kyongnam Bank, Woori Investment & Securities, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I were classified as a disposal group held for distribution or sale, and their operations were accounted for as discontinued operations. Unless expressly stated otherwise, our financial information as of December 31, 2013 and 2014 and for the years ended December 31, 2011, 2012, 2013 and 2014 set forth below does not include financial data with respect to such discontinued operations, while our financial information as of December 31, 2011 and 2012 set forth below includes financial data with respect to such discontinued operations.

As one of the leading financial services groups in Korea, we believe our core competitive strengths include the following:

Strong and long standing relationships with corporate customers. Historically our operations concentrated on large corporate customers. As a result, we believe that we have strong relationships with many of Korea's leading corporate groups, and we are the main creditor bank to 13 of the 39 largest Korean corporate borrowers. Further enhancing our corporate loan portfolio is our ability to lend to small- and medium-sized enterprise customers. As of December 31, 2015, we had approximately 214,819 small- and medium-sized enterprise borrowers.

Large and loyal retail customer base. With respect to our consumer banking operations, we have the second-largest deposit base among Korean commercial banks, and over 21 million retail customers, representing about half of the Korean adult population. Of these customers, more than a third are active customers, meaning that they have an account with us with a balance of at least 100,000 or have transacted business with us at least once during the last six months.

Extensive distribution and marketing network. We serve our customers primarily through one of the largest banking networks in Korea, comprising approximately 956 branches and 6,889 ATMs and cash dispensers. We also operate 10 dedicated corporate banking centers and approximately 86 general managers for our large corporate customers and approximately 937 relationship managers stationed at 785 branches (as well as 687 additional non-stationed employees who serve as relationship managers as needed) for our small- and medium-sized enterprise customers. In addition, we have Internet and mobile banking platforms to enhance customer convenience, reduce service delivery costs and allow our branch staff to focus on marketing and sales.

Strong capital base. As of December 31, 2015, our consolidated equity totaled 19.3 trillion, and our total capital adequacy ratio was 13.66%. Our management team carefully coordinates our capital and dividend plans to ensure that we optimize our capital position. We believe our strong capital base and coordinated capital management enable us to support growth of our core businesses and to pursue franchise-enhancing initiatives such as selective investments and acquisitions.

Strong and experienced management team. Our management team comprises experienced managers as well as leading financial industry professionals who have been recruited from outside our bank to complement our team. In December 2014, Kwang-Goo Lee assumed the role of our president and chief executive officer. We believe that the extensive experience of many members of our management team in the financial sector will help us to continue to strengthen our operations.

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Strategy

We aim to continue to build our position as a leading universal banking and financial services company in Korea, with a view to having our business platform and operating structure match or outperform those of leading global financial institutions. The key elements of our strategy are as follows:

Further improve our asset quality and strengthen our risk management practices. We were one of the earliest and most aggressive banks in Korea to actively reduce non-performing loans through charge-offs and sales to third parties. Since 2002, we have taken various measures to facilitate the disposal of our substandard or below loans. As a result of these and other initiatives, our ratio of non-performing loans to total loans has decreased significantly over the past decade and was 1.28% as of December 31, 2015.

One of our highest priorities is to maintain our strong asset quality and enhance our risk management practices on an ongoing basis. We created a centralized risk management organization, installed a comprehensive warning and monitoring system, adopted uniform loan loss provisioning policies and implemented an advanced credit evaluation system called CREPIA. Following the global financial crisis, we undertook a review of our credit risk management procedures with outside consultants in 2009, as well as undertaking further reviews of our risk management infrastructure and systems in 2009 and 2010, in order to develop and implement various measures to further standardize and improve our risk management procedures and systems.

In addition, we use a value at risk, or VaR, monitoring system for managing market risk. We intend to vigorously maintain a manageable risk profile and balance that risk profile with adequate returns. We believe that our continuous focus on upgrading our risk management systems and practices will enable us to maintain our strong asset quality, improve our financial performance and enhance our competitiveness.

Enhance customer profitability through optimization of channel usage, products and services for each customer segment. Our extensive distribution network and wide range of quality products and services has enabled us to serve our customers effectively. However, we intend to further enhance the value proposition to our customers by differentiating products and delivery channels based on the distinct needs of different customer segments.

Retail customers. We have segmented our retail customers into four groups: high net worth; mass affluent; middle class; and mass market. We believe we are relatively competitive in our core customer base, which includes mass affluent and middle class customers, and we serve these customers via our team of financial planners in our branches who sell customized higher margin services and products, such as investment advice, mutual funds, insurance and personal loans. For our mass market customers, we offer simple, easy-to-understand and relatively more standardized products such as basic deposit and lending products, including mortgage loans, and we encourage the use of alternative distribution channels such as the Internet, mobile banking and ATMs by our mass market customers such that we can serve them in a cost efficient manner. We serve our high net worth individuals via branches and dedicated private banking centers staffed with experienced private bankers who offer sophisticated tailored financial services.

Corporate customers. We continuously and vigorously review our portfolio of large corporate and small-and medium-sized enterprise customers to refine our database of core accounts and industries in terms of profitability potential. We seek to expand our relationship beyond a pure lending relationship by promoting our foreign exchange, factoring, trade finance and investment banking services to our core small- and medium-sized enterprise customers and cross-selling our investment banking services, derivatives and other risk hedging products, as well as employee retirement products, to our core large corporate customers.

Diversify our revenue base with a view to reducing our exposure to interest rate cycles and increasing profitability. Currently, in line with the Korean banking industry, we derive a substantial majority of our revenues from our loan and other credit products. To reduce our traditional reliance on lending as a source of revenue and to increase our profitability, we have been seeking to further diversify our earnings base, in particular by focusing on fee-based services, such as foreign exchange, trade finance and derivatives products, investment banking and advisory investment trust services for our corporate customers and asset management and mutual funds, investment trust products and beneficiary certificates, and life and non-life insurance products for our retail customers.

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In addition, we intend to continue to enter into business alliances with other leading financial service providers so that we can offer a full range of best of class products and services to our targeted customers. We actively evaluate alliances and joint venture opportunities when they arise in order to diversify our revenue stream and provide our customers with a range of sophisticated and tailored products that will complement our existing products and services. We also intend to carefully consider potential acquisitions or other strategic investments that fit within our overall strategy. When considering acquisitions, we will focus on opportunities that supplement the range of products and services we offer and strengthen our existing customer base, enable us to maintain our standard for asset quality and profitability and provide us with a reasonable return on our investment.

Increase fintech capabilities. We have been enhancing our financial technology, or fintech, capabilities in order to expand our non-traditional financial service delivery channels for our customers. In May 2015, we launched the first mobile-only banking service in Korea called WiBee Bank, and in November 2015, K-Bank, a consortium with KT Corporation and 20 other companies in which we own a 10% equity interest, received preliminary approval from the Financial Services Commission to establish an Internet-only bank. K-Bank is expected to launch its services in the second half of 2016.

In addition, we have strengthened our alliances with information technology companies to provide innovative electronic payment methods, including Woori Samsung Pay with Samsung Electronics, which allows cardless ATM withdrawals through smartphones, and WeChat Pay with Tencent, China's biggest social-networking and mobile game company, which allows Chinese tourists to utilize mobile devices to make payments in Korea.

Expand presence in the global market. We are continuously expanding our overseas operations, mainly focusing on Southeast Asia. In November 2015, we established Woori Finance Myanmar, a microfinance-focused subsidiary in Myanmar, and in December 2015, we entered into an investment agreement to acquire a 51% equity interest in Wealth Development Bank Corp., a savings bank in the Philippines. We are also reviewing expansion opportunities in other emerging markets and have established a global internal control team within our International Banking Department to evaluate and manage the associated risks.

Enhance operational efficiencies and synergies. We have been seeking to improve our operational efficiency and synergies and reduce our expenses by integrating our businesses, unifying our business procedures, eliminating duplication, centralizing processes and procurement, implementing continuous automation and migrating to low cost distribution channels. In 2009, we established a centralized information technology center to increase information sharing and synergies among our different business operations.

We believe that the integration of our accounting, information technology and other back-office systems allows us to further eliminate redundant functions and equipment and reduce our long-term expense. We also believe that these measures, together with our effort to encourage migration of our mass market customers to low-cost alternative channels will, reduce our costs and enhance our operating efficiencies. We are also continuing our efforts to maximize synergies among our businesses.

Develop and increase productivity of our professional workforce. We aim to retain the most qualified and highly-trained professionals in the market, and we intend to continue to focus on the development and training of our core professionals. In order to boost employee morale and productivity, we aim to create an environment that nurtures development and growth, and we will continue to emphasize performance-based incentive programs to recognize high performers on both an individual and business unit level. In addition, a rigorous ethics management program and related measures have been instituted to reduce operational risk and help ensure compliance with our internal standards and policies.

Corporate Banking

We provide commercial banking services to large corporate customers (including government-owned enterprises) and small- and medium-sized enterprises in Korea. Currently, our corporate banking operations consist mainly of lending to and taking deposits from our corporate customers. We also provide ancillary services on a fee basis, such as inter-account transfers, transfers of funds from branches and agencies of a company to its headquarters and transfers of funds from a company's customer accounts to the company's main account.

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The following table sets forth the balances and percentages of our total lending and total deposits represented by our large corporate and small- and medium-sized enterprise customer loans and deposits, respectively, and the number of such customers as of the dates indicated:

	2013 ⁽¹⁾		As of December 31, 2014		2015	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
(in billions of Won, except percentages)						
Loans⁽²⁾ :						
Small- and medium-sized enterprise ⁽³⁾	60,793	31.4%	62,544	30.2%	67,115	29.5%
Large corporate ⁽⁴⁾	38,520	19.9	38,879	18.8	40,780	18.0
Others ⁽⁵⁾	19,203	9.9	20,323	9.8	19,727	8.7
Total	118,516	61.2%	121,746	58.8%	127,622	56.2%
Deposits:						
Small- and medium-sized enterprise	30,472	17.4%	33,924	18.0%	37,067	17.7%
Large corporate	50,453	28.8	56,164	29.8	64,114	30.7
Total	80,925	46.2%	90,088	47.8%	101,181	48.4%
Number of borrowers:						
Small- and medium-sized enterprise	185,245		188,236		214,819	
Large corporate	3,283		3,325		3,297	

(1) The amounts as of December 31, 2013 exclude certain former subsidiaries classified as a disposal group held for distribution or sale.

(2) Not including due from banks, other receivables and outstanding credit card balances, and prior to deducting allowance for credit losses and present value discount or reflecting deferred origination costs.

(3) Loans to small- and medium-sized enterprises as defined in the Small and Medium Industry Basic Act of Korea and related regulations (and including project finance loans to such enterprises). See Small- and Medium-Sized Enterprise Banking.

(4) Loans to companies that are not small- and medium-size enterprises as defined in the Small and Medium Industry Basic Act of Korea and related regulations, and typically including companies that have assets of 12 billion or more and are therefore subject to external audit under the External Audit Act of Korea. See Large Corporate Banking.

(5) Includes loans to governmental agencies, foreign loans and other corporate loans.

Corporate loans we provide consist principally of the following:

working capital loans, which are loans used for general working capital purposes, typically with a maturity of one year or less, including notes discounted and trade finance; and

facilities loans, which are loans to finance the purchase of materials, equipment and facilities, typically with a maturity of three years or more.

On the deposit-taking side, we currently offer our corporate customers several types of corporate deposit products. These products can be divided into two general categories: demand deposits that have no restrictions on deposits or withdrawals, but which offer a relatively low interest rate; and time deposits from which withdrawals are restricted for a period of time, but offer higher interest rates. We also offer installment deposits, certificates of deposit and repurchase instruments. We offer varying interest rates on our deposit products depending upon the rate of return on our income-earning assets, average funding costs and interest rates offered by other nationwide commercial banks.

Small- and Medium-Sized Enterprise Banking

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We use the term "small- and medium-sized enterprises" as defined in the Small and Medium Industry Basic Act of Korea and related regulations. Under the amended Small and Medium Industry Basic Act of Korea, which became effective on February 3, 2015, and related regulations, in order to qualify as a small- and medium-sized enterprise, (i) the enterprise's total assets at the end of the immediately preceding fiscal year must be less than 500 billion, (ii) the enterprise must meet the average or annual sales revenue standards prescribed by the Enforcement Decree of the Small and Medium Industry Basic Act, and (iii) the enterprise must meet the standards of management independence from ownership as prescribed by the Enforcement Decree of the Small

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and Medium Industry Basic Act, including non-membership in a conglomerate as defined in the Monopoly Regulations and Fair Trade Act. However, even if an enterprise that qualified as a small- and medium-sized enterprise under the Small and Medium Industry Basic Act prior to the amendments thereof no longer meets the definition due to such amendments, such enterprise shall continue to be deemed a small- and medium-sized enterprise until March 31, 2018. Furthermore, certified social enterprises (as defined in the Social Enterprise Promotion Act of Korea), as well as cooperatives or federations of cooperatives (as defined in the Framework Act on Cooperatives), that satisfy the requirements prescribed by the Small and Medium Industry Basic Act may qualify as small- and medium-sized enterprises. The small- and medium-sized enterprise segment of the corporate banking market has grown significantly in recent years, including as a result of government measures to encourage lending to these enterprises. As of December 31, 2015, 28.7% of our small- and medium-sized enterprise loans were extended to borrowers in the manufacturing industry, 16.7% were extended to borrowers in the retail and wholesale industry, and 6.8% were extended to borrowers in the hotel, leisure and transportation industries.

We service our small- and medium-sized enterprise customers primarily through our network of branches and small- and medium-sized enterprise relationship managers. As of December 31, 2015, we had stationed one or more relationship managers at 785 branches, of which 373 were located in the Seoul metropolitan area. The relationship managers specialize in servicing the banking needs of small- and medium-sized enterprise customers and concentrate their marketing efforts on developing new customers in this segment. As of December 31, 2015, we had a total of 937 small- and medium-sized enterprise relationship managers stationed at our branches (as well as 687 non-stationed employees who serve as relationship managers as needed).

In addition to increasing our dedicated staffing and branches, our strategy for this banking segment is to identify promising industry sectors and to develop and market products and services targeted towards customers in these sectors. We have also developed in-house industry specialists who can help us identify leading small- and medium-sized enterprises in, and develop products and marketing strategies for, these targeted industries. In addition, we operate customer loyalty programs for our most profitable small- and medium-sized enterprise customers and provide them with benefits and services such as preferential rates, free seminars and workshops and complementary invitations to cultural events.

Lending Activities. We provide both working capital loans and facilities loans to our small- and medium-sized enterprise customers. As of December 31, 2015, working capital loans and facilities loans accounted for 56.8% and 40.1%, respectively, of our total small- and medium-sized enterprise loans. As of December 31, 2015, we had approximately 214,819 small- and medium-sized enterprise borrowers.

As of December 31, 2015, secured loans and loans guaranteed by a third party accounted for 65.9% and 9.2%, respectively, of our small- and medium-sized enterprise loans. As of December 31, 2015, approximately 74.8% of the secured loans were secured by real estate and 2.0% were secured by deposits. Working capital loans generally have a maturity of one year, but may be extended on an annual basis for an aggregate term of three to five years if periodic payments are made. Facilities loans have a maximum maturity of ten years.

When evaluating the extension of working capital loans and facilities loans, we review the creditworthiness and capability to generate cash of the small- and medium-sized enterprise customer. Furthermore, we take corporate guarantees and credit guarantee letters from other financial institutions and use deposits that the borrower has with us or securities pledged to us as collateral.

The value of any collateral is defined using a formula that takes into account the appraised value of the property, any prior liens or other claims against the property and an adjustment factor based on a number of considerations including, with respect to property, the value of any nearby property sold in a court-supervised auction during the previous five years. We generally revalue any collateral on a periodic basis (every year for real estate (with apartments being revalued every month, subject to the availability of certain specified market value information), every year for equipment, every month for deposits and every week for stocks listed on a major Korean stock exchange) or if a trigger event occurs with respect to the loan in question.

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Pricing. We establish the pricing for our small- and medium-sized enterprise loan products based principally on transaction risk, our cost of funding and market considerations. Our lending rates are generally determined using our CREPIA system. We use our CREPIA system to manage our lending activities, and input data gathered from loan application forms, credit scores of borrowers and the appraisal value of collateral provided by external valuation experts into the CREPIA system and update such information periodically to reflect changes in such information. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Credit Risk Management Credit Evaluation and Approval. We measure transaction risk using factors such as the credit rating assigned to a particular borrower and the value and type of collateral. Our system also takes into account cost factors such as the current market interest rate, opportunity cost and cost of capital, as well as a spread calculated to achieve a target rate of return. Depending on the price and other terms set by competing banks for similar borrowers, we may reduce the interest rate we charge to compete more effectively with other banks. Loan officers have limited discretion in deciding what interest rates to offer, and significant variations require review at higher levels. As of December 31, 2015, approximately 69.8% of our small- and medium-sized enterprise loans had interest rates that varied with reference to current market interest rates.

Large Corporate Banking

Our large corporate customers consist of companies that are not small- and medium-size enterprises as defined in the Small and Medium Industry Basic Act of Korea and related regulations, and typically include companies that have assets of 12 billion or more and are therefore subject to external audit under the External Audit Act of Korea. As a result of our history and development, we remain the main creditor bank to many of Korea's largest corporate borrowers.

In terms of our outstanding loan balance, as of December 31, 2015, 43.7% of our large corporate loans were extended to borrowers in the manufacturing industry, 21.0% were extended to borrowers in the finance and insurance industry, and 8.8% were extended to borrowers in the retail and wholesale industry.

We service our large corporate customers primarily through our network of dedicated corporate banking centers and general managers. We operate 10 dedicated corporate banking centers, all of which are located in the Seoul metropolitan area. Each center is staffed with one or more general managers, and certain centers are headed by a senior general manager. Depending on the center, each such manager is responsible for large corporate customers that either are affiliates of a particular *chaebol* or operate in a particular industry or region. As of December 31, 2015, we had a total of 86 general managers who focus on marketing to and managing the accounts of large corporate customers.

Our strategy for the large corporate banking segment is to develop new products and cross-sell our existing products and services to our core base of large corporate customers. In particular, we continue to focus on marketing fee-based products and services such as foreign exchange and trade finance services, derivatives and other risk hedging products, investment banking services and advisory services. We have also been reviewing the credit and risk profiles of our existing customers as well as those of our competitors, with a view to identifying a target group of high-quality customers on whom we can concentrate our marketing efforts. In addition, we are seeking to continue to increase the *chaebol*-, region- and industry-based specialization of the managers at our dedicated corporate banking centers, including through the operation of a knowledge management database that allows greater sharing of marketing techniques and skills.

Lending Activities. We provide both working capital loans and facilities loans to our large corporate customers. As of December 31, 2015, working capital loans (including domestic usance, bills bought and securities sold under repurchase agreements) and facilities loans accounted for 73.3% and 14.6%, respectively, of our total large corporate loans.

Loans to large corporate customers may be secured by real estate or deposits or be unsecured. As of December 31, 2015, secured loans and loans guaranteed by a third party accounted for 16.8% and 6.2%, respectively, of our large corporate loans. Since a relatively low percentage of our large corporate loan portfolio is secured by collateral, we may be required to establish larger allowances for credit losses with respect to any such loans that become non-performing or impaired. See Assets and Liabilities Asset Quality of Loans Loan Loss Provisioning Policy.

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As of December 31, 2015, approximately 59.5% of the secured loans were secured by real estate and approximately 4.4% were secured by deposits. Working capital loans generally have a maturity of one year but may be extended on an annual basis for an aggregate term of three to five years. Facilities loans have a maximum maturity of ten years.

We evaluate creditworthiness and collateral for our loans to large corporate customers in essentially the same way as we do for loans to small- and medium-sized enterprise customers. See Corporate Banking Small- and Medium-Sized Enterprise Banking Lending Activities.

Pricing. We determine the pricing of our loans to large corporate customers in the same way that we determine the pricing of our loans to small- and medium-sized enterprise customers. See Corporate Banking Small- and Medium-Sized Enterprise Banking Pricing. As of December 31, 2015, approximately 85.5% of these loans had interest rates that varied with reference to current market interest rates.

Consumer Banking

We provide retail banking services to consumers in Korea. Our consumer banking operations consist mainly of lending to and taking deposits from our retail customers. We also provide ancillary services on a fee basis, such as wire transfers. While we have historically attracted and held large amounts of consumer deposits through our extensive branch network, our substantial consumer lending growth occurred principally in recent years, in line with the increase in the overall level of consumer debt in Korea. See Branch Network and Other Distribution Channels.

We classify our consumer banking customers based on their individual net worth and contribution to our consumer banking operations into four groups: high net worth; mass affluent; middle class; and mass market. We differentiate our products, services and service delivery channels with respect to these segments and target our marketing and cross-selling efforts based on this segmentation. With respect to the high net worth and mass affluent segments, we have established private banking operations to better service customers in these segments. See Private Banking Operations. With respect to the middle class segment, we intend to use our branch-level sales staff to maximize the overall volume of products and services we provide. With respect to the mass market segment, we have focused on increasing our operating efficiency by encouraging customers to migrate to low-cost alternative service delivery channels, such as the Internet, call centers, mobile banking and ATMs.

Lending Activities

We offer a variety of consumer loan products to households and individuals. We differentiate our product offerings based on a number of factors, including the customer's age group, the purpose for which the loan is used, collateral requirements and maturity. The following table sets forth the balances and percentage of our total lending represented by our consumer loans as of the dates indicated:

	2013 ⁽¹⁾		As of December 31, 2014		2015	
	Amount ⁽²⁾	% of Total Loans ⁽³⁾	Amount ⁽²⁾	% of Total Loans ⁽³⁾	Amount ⁽²⁾	% of Total Loans ⁽³⁾
	(in billions of Won, except percentage)					
General purpose household loans	25,357	13.1%	25,889	12.5%	28,193	12.4%
Mortgage loans	19,952	10.3	28,988	14.0	40,598	17.9
Home equity loans	25,732	13.3	25,340	12.2	24,657	10.9
Total	71,041	36.7%	80,217	38.7%	93,448	41.1%

⁽¹⁾ The amounts as of December 31, 2013 exclude certain former subsidiaries classified as a disposal group held for distribution or sale.

⁽²⁾ Not including outstanding credit card balances, and prior to deducting allowance for credit losses and present value discount or reflecting deferred origination costs.

⁽³⁾ Total loans do not include other receivables and are before the deduction of allowance for credit losses and present value discount and the reflection of deferred origination costs.

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Our consumer loans consist of:

general purpose household loans, which are loans made to customers for any purpose (other than mortgage and home equity loans), and include overdraft loans, which are loans extended to customers to cover insufficient funds when they withdraw funds from their demand deposit accounts with us in excess of the amount in such accounts up to a limit established by us; and

mortgage loans, which are loans made to customers to finance home purchases, construction, improvements or rentals, and *home equity loans*, which are loans made to customers secured by their homes to ensure loan repayment.

For secured loans, including mortgage and home equity loans, we generally lend up to 70% of the collateral value (except in areas of high speculation designated by the government where we generally limit our lending to 40% to 70% of the appraised value of collateral) minus the value of any lien or other security interest that is prior to our security interest. In calculating the collateral value for real estate for such secured consumer loans (which principally consists of residential properties), we generally use the fair value of the collateral as appraised by Korea Investors Service which is collated in our CREPIA system. We generally revalue collateral on a periodic basis. As of December 31, 2015, the revaluation period was every year for real estate (with apartments being revalued every month, subject to the availability of certain specified market value information), every year for equipment, every month for deposits and every week for stocks listed on a major Korean stock exchange.

A borrower's eligibility for general purpose household loans is primarily determined by such borrower's creditworthiness. In reviewing a potential borrower's loan application, we also consider the suitability of the borrower's proposed use of funds, as well as the borrower's ability to provide a first-priority mortgage. A borrower's eligibility for a home equity loan is primarily determined by such borrower's creditworthiness (including as determined by our internal credit scoring protocols) and the value of the collateral property, as well as any third party guarantees of the borrowed amounts.

We also offer a variety of collective housing loans, including loans to purchase property or finance the construction of housing units, loans to contractors to be used for working capital purposes, and loans to educational institutions and non-profit entities to finance the construction of dormitories. Collective housing loans subject us to the risk that the housing units will not be sold. As a result, we review the probability of the sale of the housing unit when evaluating the extension of a loan. We also review the borrower's creditworthiness and the suitability of the borrower's proposed use of funds. Furthermore, we take a lien on the land on which the housing unit is to be constructed as collateral. If the collateral is not sufficient to cover the loan, we also take a guarantee from the Housing Finance Credit Guarantee Fund as security.

General Purpose Household Loans

Our general purpose household loans may be secured by real estate (other than homes), deposits or securities. As of December 31, 2015, approximately 20,313 billion, or 72.1%, of our general purpose household loans were unsecured, although some of these loans were guaranteed by a third party. Overdraft loans are primarily unsecured and typically have a maturity between one and three years, and the amount of such loans has been steadily declining. As of December 31, 2015, this amount was approximately 59 million.

Pricing. The interest rates on our general purpose household loans are either a periodic floating rate (which is based on a base rate determined for three-month, six-month or twelve-month periods, further adjusted to account for the borrower's credit score and our opportunity cost) or a fixed rate that reflects our internal cost of funding and similar adjustments, but taking into account interest rate risks. In 2010, we began using the Cost of Fund Index (or COFIX) benchmark rate, as announced by the Korea Federation of Banks, as the base rate for our general purpose household loans with periodic floating rates in place of the benchmark certificate of deposit rate that we had traditionally used for such purpose.

Our interest rates also incorporate a margin based on, among other things, the type of collateral (if any), priority with respect to any security, our target loan-to-value ratio and loan duration. We also can adjust the applicable rate based on current or expected profit contribution of the customer. Our lending rates are generally

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determined by our CREPIA system. The applicable interest rate is determined at the time of the loan. We also charge a termination fee in the event a borrower repays the loan prior to maturity. As of December 31, 2015, approximately 61.5% of our general purpose household loans had floating interest rates.

Mortgage and Home Equity Lending

We provide customers with a number of mortgage and home equity loan products that have flexible features, including terms, repayment schedules, amounts and eligibility for loans. The maximum term of our mortgage and home equity loans is typically 35 years. Most of our mortgage and home equity loans have an interest-only payment period of ten years or less. With respect to these loans, we determine the eligibility of borrowers based on the borrower's personal information, transaction history and credit history using our CREPIA system. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Credit Risk Management Credit Evaluation and Approval. The eligibility of a borrower that is participating in a housing lottery will depend on proof that it has paid a deposit or can obtain a guarantee from a Korean government-related housing fund. We receive fee income related to the origination of loans, including fees relating to loan processing and collateral evaluation.

As of December 31, 2015, approximately 68.4% of our mortgage and home equity loans were secured by residential or other property, 23.5% of our mortgage and home equity loans were guaranteed by Korean government-related housing funds and 5.9% of our mortgage and home equity loans, contrary to general practices in the United States, were unsecured (although the use of proceeds from mortgage and home equity loans is restricted for the purpose of financing home purchases and some of these loans were guaranteed by a third party). One reason that a portion of our mortgage and home equity loans are unsecured is that we, along with other Korean banks, provide advance loans to borrowers for the down payment of new housing (particularly apartments) that is in the process of being built. Once construction is completed, which may take several years, these mortgage and home equity loans become secured by the new housing purchased by these borrowers. As of December 31, 2015, we had issued unsecured construction loans relating to housing where construction was not completed in the amount of 3,866 billion. For the year ended December 31, 2015, the average initial loan-to-value ratio of our mortgage loans and home equity loans was approximately 62.0% and 56.6%, respectively, compared to 59.7% and 56.3% for the year ended December 31, 2014. The average loan-to-value ratio of our mortgage loans and home equity loans as of December 31, 2015 was approximately 57.1% and 53.1%, respectively, compared to 55.0% and 52.5% as of December 31, 2014.

Pricing. The interest rates for our mortgage and home equity loans are determined on essentially the same basis as our general purpose household loans, except that for mortgage and home equity loans we place significantly greater weight on the value of any collateral that is being provided to secure the loan. The base rate we use in determining the interest rate for our mortgage and home equity loans is identical to the base rate we use to determine pricing for our general purpose household loans. As of December 31, 2015, approximately 58.3% of our outstanding mortgage and home equity loans had floating interest rates.

Private Banking Operations

Our private banking operations aim to service our high net worth and mass affluent retail customers. As of December 31, 2015, we had over 144,700 customers who qualified for private banking services, representing 0.7% of our total retail customer base. Of our total retail customer deposits of 80 trillion as of December 31, 2015, high net worth and mass affluent customers accounted for 51.4%.

Through our private bankers, we provide financial and real estate advisory services to our high net worth and mass affluent customers. We also market differentiated investment and banking products and services to these segments, including beneficiary certificates, overseas mutual fund products, specialized bank accounts and credit cards. In addition, we have developed a customer loyalty program for our private banking customers that provides preferential rate and fee benefits and awards. We have also segmented our private banking operations by introducing exclusive private client services for high net worth customers who individually maintain a deposit balance of at least 100 million. We believe that our private banking operations will allow us to increase our revenues from our existing high net worth and mass affluent customers, as well as attract new customers in these segments.

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We have 625 branches that offer private banking services. These branches are staffed by 635 private bankers, and almost all of the branches are located in metropolitan areas, including Seoul.

We also operate an advisory center in Seoul for our private banking clients, which employs 20 specialists advising on matters of law, tax, real estate, risk assessment and investments.

Deposit-Taking Activities

As of December 31, 2015, we were the second-largest deposit holder among Korean banks, in large part due to our nation-wide branch network. The balance of our deposits from retail customers was 65,124 billion (excluding discontinued operations) as of December 31, 2013, 68,821 billion as of December 31, 2014 and 73,364 billion as of December 31, 2015, which constituted 37.1%, 36.5% and 35.1%, respectively, of the balance of our total deposits.

We offer diversified deposit products that target different customers with different needs and characteristics. These deposit products fall into five general categories:

demand deposits, which either do not accrue interest or accrue interest at a lower rate than time, installment or savings deposits. The customer may deposit and withdraw funds at any time and, if the deposits are interest-bearing, they accrue interest at a fixed or variable rate depending on the period and/or amount of deposit;

time deposits, which generally require a customer to maintain a deposit for a fixed term during which interest accrues at a fixed or floating rate. Early withdrawals require penalty payments. The term for time deposits typically ranges from one month to five years;

savings deposits, which allow the customer to deposit and withdraw funds at any time and accrue interest at a fixed rate set by us depending upon the period and amount of deposit;

installment deposits, which generally require the customer to make periodic deposits of a fixed amount over a fixed term during which interest accrues at a fixed rate. Early withdrawals require penalty payment. The term for installment deposits range from six months to five years; and

certificates of deposit, the maturities of which range from 30 days to five years, with a required minimum deposit of 10 million. Interest rates on certificates of deposit vary with the length of deposit and prevailing market rates. Certificates of deposit may be sold at face value or at a discount with the face amount payable at maturity.

The following table sets forth the percentage of our total retail and corporate deposits represented by each deposit product category as of December 31, 2015:

Demand_Deposits	Time_Deposits	Savings_Deposits	Installment_Deposits	Certificates_of_Deposit
10.29 %	56.39 %	32.14 %	0.02 %	1.16 %

We offer varying interest rates on our deposit products depending on market interest rates as reflected in average funding costs, the rate of return on our interest-earning assets and the interest rates offered by other commercial banks. Generally, the interest payable is the highest on installment deposits and decreases with certificate of deposit accounts and time deposits and savings deposit accounts receiving relatively less interest, and demand deposits accruing little or no interest.

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We also offer deposits in foreign currencies and a specialized deposit product, the apartment application comprehensive deposit, which is a monthly installment comprehensive savings program providing the holder with a preferential right to subscribe for new national housing units constructed under the Housing Act or new privately constructed housing units. This deposit product requires monthly installments of 20,000 to 500,000, terminates when the holder is selected as a subscriber for a housing unit and accrues interest at variable rates depending on the term. The product targets all segments of the population and essentially replaces the following products, for which new accounts may no longer be opened starting September 2015:

Apartment application time deposits, which are special purpose time deposit accounts providing the holder with a preferential right to subscribe for new private apartment units under the Housing Act. These products accrue interest at a fixed rate for one year, and at an adjustable rate after one year. Deposit amounts per account range from 2 million to 15 million depending on the size and location of the dwelling unit. These deposit products targeted high and middle income households.

Apartment application installment savings deposits, which are monthly installment savings programs providing the holder with a preferential right to subscribe for new private apartment units under the Housing Act. These deposits require monthly installments of 50,000 to 500,000, have maturities of between three and five years and accrue interest at fixed or variable rates depending on the term.

Apartment application savings account deposits, which are monthly installment savings programs providing the holder with a preferential right to subscribe for new national housing units constructed under the Housing Act or mid-sized, privately constructed national housing units. These deposits are available only to heads of household who do not own a home. These deposits require monthly installments of 20,000 to 100,000, terminate when the holder is selected as a subscriber for a housing unit and accrue interest at fixed rates.

The Monetary Policy Committee of the Bank of Korea imposes a reserve requirement on Won currency deposits of commercial banks based generally on the type of deposit instrument. The reserve requirement is currently up to 7%. See *Supervision and Regulation Principal Regulations Applicable to Banks Liquidity*. Ongoing regulatory reforms have removed all controls on lending rates and deposit rates (except for the prohibition on interest payments on current account deposits).

The Depositor Protection Act provides for a deposit insurance system where the KDIC guarantees to depositors the repayment of their eligible bank deposits. The deposit insurance system insures up to a total of 50 million per depositor per bank. See *Supervision and Regulation Principal Regulations Applicable to Banks Deposit Insurance System*. We pay a quarterly premium of 0.02% of our average deposits and a quarterly special contribution of 0.025% of our average deposits, in each case for the relevant quarter. For the year ended December 31, 2015, we paid an aggregate of 268 billion of such premiums and contributions.

Branch Network and Other Distribution Channels

We had a total of 956 banking branches in Korea as of December 31, 2015, which was one of the most extensive networks of branches among Korean commercial banks. In recent years, demand in Korea for mutual funds and other asset management products as well as bancassurance products has been rising. These products require an extensive sales force and customer interaction to sell, further emphasizing the need for a large branch network. As a result, an extensive branch network is important to attracting and maintaining retail customers, as they generally conduct a significant portion of their financial transactions through bank branches. We believe that our extensive branch network in Korea helps us to maintain our retail customer base, which in turn provides us with a stable and relatively low cost funding source.

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The following table presents the geographical distribution of our banking branch network in Korea as of December 31, 2015:

Area	Total	
	Number	% of Total
Seoul	439	46%
Six largest cities (other than Seoul)	164	17
Other	353	37
Total	956	100%

In order to maximize access to our products and services, we have established an extensive network of ATMs and cash dispensers, which are located in branches as well as unmanned outlets. We had 6,821 ATMs and 68 cash dispensers as of December 31, 2015.

We also actively promote the use of alternative service delivery channels in order to provide convenient service to customers. We also benefit from customers' increasing use of these outlets, as they allow us to maximize the marketing and sales functions at the branch level, reduce employee costs and improve profitability. The following tables set forth information, for the periods indicated, relating to the number of transactions and the fee revenue of our alternative service delivery channels.

	For the year ended December 31,		
	2013	2014	2015
ATMs⁽¹⁾:			
Number of transactions (millions)	397	393	378
Fee income (billions of Won)	45	44	44
Telephone banking:			
Number of users	6,482,707	6,510,178	6,058,318
Number of transactions (millions)	106	107	106
Fee income (billions of Won)	3	3	3
Internet banking:			
Number of users	12,707,113	13,809,085	14,775,540
Number of transactions (millions)	5,603	6,065	6,567
Fee income (billions of Won)	120	123	141

⁽¹⁾ Includes cash dispensers.

Most of our electronic banking transactions do not generate fee income as many of those transactions are free of charge, such as balance inquiries, consultations with customer representatives or transfers of money. This is particularly true for telephone banking services, where a majority of the transactions are balance inquiries or consultations with customer representatives, although other services such as money transfers are also available.

Our automated telephone banking system offers a variety of services, including inter-account fund transfers, balance and transaction inquiries and customer service inquiries. We also operate a call center that handles calls from customers, engages in telemarketing and assists in our collection efforts.

Our Internet banking services include balance and transaction inquiries, money transfers, loan applications, bill payment and foreign exchange transactions. We seek to maintain and increase our Internet banking customer base by focusing largely on our younger customers and those that are able to access the Internet easily (such as office workers) as well as by developing additional Internet-based financial services and products. We also develop new products to target different types of customers with respect to our Internet banking services, and have developed a service that enables private banking customers to access their accounts on a website that provides specialized investment advice. We also offer online escrow services.

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In addition, we provide mobile banking services to our customers, which is available to all our Internet-registered users. These services allow our customers to complete selected banking transactions through major Korean telecommunications networks using their mobile phones or other mobile devices. In May 2015, we launched the first mobile-only banking service in Korea, called WiBee Bank.

We also offer our Win-CMS service to our corporate customers, which provides an integrated electronic cash management system and in-house banking platform for such customers.

Credit Cards

We offer credit card products and services mainly to consumers and corporate customers in Korea. In April 2013, as a part of our strategy to enhance our credit card operations and increase its synergies with our other businesses, we effected a horizontal spin-off of our credit card business. As a result, our former credit card business is operated by a wholly-owned subsidiary, Woori Card. As of December 31, 2015, Woori Card's market share based on transaction volume was approximately 9.0%, which ranked Woori Card as the sixth largest credit card issuer in Korea, according to BC Research, which is a quarterly report issued by BC Card.

Our credit card operations benefit from Woori Card's ownership of a 7.6% equity stake in BC Card. BC Card is co-owned by KT Corporation, which is one of Korea's largest telecommunications companies, as well as a private equity fund and other Korean financial institutions, and operates the largest merchant payment network in Korea as measured by transaction volume. This ownership stake allows us to outsource production and delivery of new credit cards, the preparation of monthly statements, management of merchants and other ancillary services to BC Card for our credit card operations.

Products and Services

We currently have the following principal brands of credit cards outstanding:

a Woori brand;

a BC Card brand; and

a Visa brand.

We issue Visa brand cards under a non-exclusive license agreement with Visa International Service Association and also issue MasterCard and JCB brand cards under a non-exclusive, co-branding agreement with BC Card.

We offer a number of different services to holders of our credit cards. Generally, these services include:

credit purchase services, which allow cardholders to purchase merchandise or services on credit and repay such credit on a lump-sum or installment basis;

cash advance services from ATMs and bank branches; and

credit card loans, which are loans that cardholders can obtain based on streamlined application procedures.

Unlike in the United States and many other countries, where most credit cards are revolving cards that allow outstanding balances to be rolled over from month to month so long as a required minimum percentage is repaid, cardholders in Korea are generally required to pay for their non-installment purchases as well as cash advances within approximately 15 to 60 days of purchase or advance, depending on their payment cycle.

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The following tables set forth certain data relating to the credit card operations of Woori Card (including credit cards issued previously by us and BC Cards and Visa Cards issued through the BC Card consortium) as of the dates or for the period indicated:

	As of or for the year ended December 31,		
	2013	2014	2015
	(in billions of Won, unless indicated otherwise)		
Number of credit card holders (at year end) (thousands of holders)			
General accounts	10,847	11,388	11,789
Corporate accounts	447	523	642
Total	11,294	11,912	12,431
Active ratio ⁽¹⁾			
	53.40%	54.20%	55.50%
Credit card interest and fees			
Installment and cash advance interest	172	215	223
Annual membership fees	12	28	43
Merchant fees	480	683	763
Other fees	178	284	343
Total	842	1,210	1,372
Charge volumes			
General purchase	29,227	42,885	50,761
Installment purchase	3,284	5,107	5,454
Cash advance	3,156	4,369	4,404
Card loan	848	2,072	2,984
Total	36,515	54,433	63,603
Outstanding balances (at year end)			
General purchase	2,003	2,054	2,275
Installment purchase	925	1,131	1,315
Cash advance	539	557	565
Card loan	750	1,378	1,951
Total	4,217	5,120	6,106
Average outstanding balances			
General purchase	2,166	2,174	2,299
Installment purchase	1,009	1,145	1,208
Cash advance	546	540	558
Card loan	599	1,050	1,748
Total	4,320	4,909	5,813
Delinquency ratios ⁽²⁾			
Less than 1 month	2.44	2.20	1.68
From 1 month to 3 months	0.87	0.76	0.83
From 3 months to 6 months	0.93	0.89	0.76
Over 6 months	0.00	0.01	0.00
Total	4.24%	3.86%	3.27%
Non-performing loan ratio ⁽³⁾			
Gross charge-offs	160	163	198
Recoveries	23	28	34

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Net charge-offs	137	135	164
Gross charge-off ratio ⁽⁴⁾	3.71%	3.31%	3.41%
Net charge-off ratio ⁽⁵⁾	3.18%	2.74%	2.82%

(1) Represents the ratio of accounts used at least once within the last 12 months to total accounts as of the end of the relevant year.

(2) Our delinquency ratios may not fully reflect all delinquent amounts relating to our outstanding balances since a certain portion of delinquent credit card balances (defined as balances one day or more past due) were restructured into loans and were not treated as being delinquent at the time of conversion or for a period of time thereafter. Including all restructured loans, outstanding balances overdue by more than one month accounted for 2.8% of our credit card balances as of December 31, 2015.

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- (3) Represents the ratio of balances that are more than three months overdue to total outstanding balances as of the end of the relevant year. These ratios do not include the following amounts of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary as of December 31, 2013, 2014 and 2015:

	2013	As of December 31, 2014 (in billions of Won)	2015
Restructured loans	62	65	73

- (4) Represents the ratio of gross charge-offs for the year to average outstanding balances for the year. Our charge-off policy is to charge off balances which are more than six months past due (including previously delinquent credit card balances restructured into loans that are more than six months overdue from the point at which the relevant balances were so restructured), except for those balances with a reasonable probability of recovery.
- (5) Represents the ratio of net charge-offs for the year to average outstanding balances for the year.

We offer a diverse range of credit card products within our various brands. Factors that determine which type of card a particular cardholder may receive include net worth, age, location, income level and the particular programs or services that may be associated with a particular card. Targeted products that we offer include:

cards that offer additional benefits, such as frequent flyer miles and award program points that can be redeemed for services, products or cash;

gold cards, platinum cards and other preferential members cards that have higher credit limits and provide additional services;

corporate and affinity cards that are issued to employees or members of particular companies or organizations; and

revolving credit cards and cards that offer travel services and insurance.

In recent years, credit card issuers in Korea have agreed with selected cardholders to restructure their delinquent credit card account balances as loans that have more gradual repayment terms, in order to retain fundamentally sound customers who are experiencing temporary financial difficulties and to increase the likelihood of eventual recovery on those balances. In line with industry practice, we have restructured a portion of our delinquent credit card account balances as loans. The general qualifications to restructure delinquent credit card balances as loans are that the delinquent amount be more than one month overdue and in excess of 1 million. The terms of the restructured loans usually require the payment of approximately 10% to 20% of the outstanding balance as a down payment and that they be guaranteed by a third party and carry higher interest rates than prevailing market rates. These loans are usually required to be repaid by the borrower in installments over terms ranging from three months to 60 months. As of December 31, 2015, the total amount of our restructured loans was 82 billion. Because restructured loans are not initially recorded as being delinquent, our delinquency ratios do not fully reflect all delinquent amounts relating to our outstanding credit card balances.

Payments and Charges

Revenues from our credit card operations consist principally of cash advance charges, merchant fees, interest income from credit card loans, interest on late and deferred payments, and annual membership fees paid by cardholders.

Each cardholder is allocated an aggregate credit limit in respect of all cards issued under his or her account and each month. We advise each cardholder of the credit limit relating to the cards in his or her monthly billing statement. Credit limits in respect of card loans are established separately. We conduct ongoing monitoring of all cardholders and accounts, and may reduce the credit limit or cancel an existing cardholder's card based on current economic conditions, receipt of new negative credit data from third party sources or the cardholder's score under the credit risk management systems we use to monitor their behavior, even if the cardholder continues to make timely payments in respect of his or her cards. We consider an account delinquent if the payment due is not received on the first monthly payment date on which such payment was due, and late fees are immediately applied. Late fee charges and computation of the delinquency period are based on each outstanding

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unpaid transaction or installment, as applicable. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Credit Risk Management Credit Review and Monitoring.

Payments on amounts outstanding on our credit cards must be made (at the cardholder's election at the time of purchase) either in full on each monthly payment date, in the case of lump-sum purchases, or in equal monthly installments over a fixed term from two months to 36 months, in the case of installment purchases. Cardholders may prepay installment purchases at any time without penalty. Payment for cash advances must be made on a lump sum basis. Payments for card loans must be made on an equal principal installment basis over a fixed term from three months up to a maximum of 36 months, up to a maximum loan amount of 30 million.

No interest is charged on lump-sum purchases that are paid in full by the monthly payment date. For installment purchases, we charge a fixed rate of interest on the outstanding balance of the transaction amount, based on the installment period selected at the time of purchase. For a new cardholder, we currently apply an interest rate between approximately 9.5 and 19.5% per annum as determined by the cardholder's application system score. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Credit Risk Management Credit Evaluation and Approval Credit Card Approval Process and Credit Review and Monitoring Credit Card Review and Monitoring.

For cash advances, finance charges start accruing immediately following the cash withdrawal. We currently charge a periodic finance charge on the outstanding balance of cash advance of approximately 6.8% to 26.4% per annum. The periodic finance charge assessed on such balances is calculated by multiplying the daily installment balances for each day during the billing cycle by the applicable periodic finance charge rate, and aggregating the results for each day in the billing period. In addition to finance charges, cardholders using cash advance networks operated by companies that are not financial institutions (such as Hantnet and NICE) are charged a minimum commission of 800 and a maximum of 1,300 per withdrawal.

We also generally charge a basic annual membership fee of 2,000 to 25,000 for regular and gold cards and 30,000 to 1,000,000 for platinum cards. The determination of the annual fee is based on various factors including the type of card, and whether affiliation options are selected by the cardholder. For certain cards, such as the Woori V Card, we will waive membership fees if customers charge above a certain amount.

We outsource the management of merchants to BC Card. We charge merchant fees to merchants for processing transactions. Merchant fees vary depending on the type of merchant and the total transaction amounts generated by the merchant. As of December 31, 2015, we charged merchants an average of 1.53% of their respective total transaction amounts. In addition to merchant fees, we receive nominal interchange fees for international card transactions.

Capital Markets Activities

We engage in capital markets activities for our own account and for our customers. Our capital markets activities include securities investment and trading, derivatives trading, asset securitization services and investment banking.

Securities Investment and Trading

We invest in and trade securities for our own account, in order to maintain adequate sources of liquidity and to generate interest and dividend income and capital gains. As of December 31, 2015, our investment portfolio, which consists of held-to-maturity financial assets and available-for-sale financial assets, and our trading portfolio, which consists of financial assets held for trading and financial assets designated at fair value through profit or loss (excluding deposits and derivative assets), had a combined total book value of 33,510 billion and represented 11.5% of our total assets.

Our trading and investment portfolios consist primarily of Korean treasury securities and debt securities issued by Korean government agencies, including the KDIC, local governments or government-invested enterprises, and debt securities issued by financial institutions. As of December 31, 2015, we held debt securities with a total book value of 30,209 billion, of which:

held-to-maturity debt securities accounted for 13,622 billion, or 45.1%;

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available-for-sale debt securities accounted for 13,969 billion, or 46.2%;

debt securities held for trading accounted for 2,617 billion, or 8.7%; and

debt securities designated at fair value through profit or loss accounted for 1 billion, or 0.0%.

Of these amounts, as of December 31, 2015, debt securities issued by the Korean government amounted to 3,367 billion, or 24.7% of our held-to-maturity debt securities, 3,490 billion, or 25.0% of our available-for-sale debt securities, and 720 billion, or 27.5% of our trading debt securities.

From time to time, we also purchase and sell equity securities for our securities portfolios. Our equity securities consist primarily of equities listed on the KRX KOSPI Market or the KRX KOSDAQ Market. As of December 31, 2015:

equity securities in our available-for-sale portfolio had a book value of 1,338 billion, or 7.8% of our available-for-sale securities portfolio;

equity securities held for trading accounted for 63 billion, or 2.3% of our held-for-trading securities portfolio; and

equity securities designated at fair value through profit or loss accounted for 12 billion, or 92.2% of our financial assets designated at fair value through profit or loss portfolio.

Funds that are not used for lending activities are used for investment and liquidity management purposes, including investment and trading in securities. See Assets and Liabilities Securities Investment Portfolio.

The following tables show, as of the dates indicated, the gross unrealized gains and losses within our investment portfolio and the amortized cost and fair value of the portfolio by type of investment financial asset:

	Amortized Cost	As of December 31, 2013 ⁽²⁾		Fair Value
		Gross Unrealized Gain (in billions of Won)	Gross Unrealized Loss	
Available-for-sale financial assets:				
Debt securities				
Korean treasury and government agencies	2,690	6	(15)	2,681
Financial institutions	6,509	4	(1)	6,512
Corporate	2,427	12	(5)	2,434
Asset-backed securities	291	7	(25)	273
Foreign currency bonds	230		(1)	229
Subtotal	12,147	29	(47)	12,129
Equity securities				
Beneficiary certificates ⁽¹⁾	3,007	60	(2)	3,065
Others	275	1	(1)	275
Total available-for-sale financial assets	16,809	362	(86)	17,085
Held-to-maturity financial assets:				
Debt securities				

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Korean treasury and government agencies	4,729	58	(17)	4,770
Financial institutions	2,156	8	(1)	2,163
Corporate	5,131	65	(6)	5,190
Foreign currency bonds	23			23
Total held-to-maturity financial assets	12,039	131	(24)	12,146

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	Amortized Cost	As of December 31, 2014 Gross Unrealized Gain Unrealized Loss (in billions of Won)		Fair Value
Available-for-sale financial assets:				
Debt securities				
Korean treasury and government agencies	3,139	33		3,172
Financial institutions	6,697	34		6,731
Corporate	2,763	64		2,827
Asset-backed securities	171		(13)	158
Foreign currency bonds	366		(67)	299
Subtotal	13,136	131	(80)	13,187
Equity securities	1,116	432	(127)	1,421
Beneficiary certificates ⁽¹⁾	3,432	21		3,453
Others	731	19		750
Total available-for-sale financial assets	18,415	603	(207)	18,811
Held-to-maturity financial assets:				
Debt securities				
Korean treasury and government agencies	4,128	83		4,211
Financial institutions	4,390	37		4,427
Corporate	4,470	106	(3)	4,573
Foreign currency bonds	56			56
Total held-to-maturity financial assets	13,044	226	(3)	13,267

	Amortized Cost	As of December 31, 2015 Gross Unrealized Gain Unrealized Loss (in billions of Won)		Fair Value
Available-for-sale financial assets:				
Debt securities				
Korean treasury and government agencies	3,530	29		3,559
Financial institutions	5,599	27		5,626
Corporate	3,809	79		3,888
Asset-backed securities	260		(2)	258
Foreign currency bonds	650	1	(13)	638
Subtotal	13,848	136	(15)	13,969
Equity securities	968	376	(6)	1,338
Beneficiary certificates ⁽¹⁾	1,119	24	(25)	1,118
Others	735	11		746
Total available-for-sale financial assets	16,670	547	(46)	17,171
Held-to-maturity financial assets:				
Debt securities				
Korean treasury and government agencies	3,367	64		3,431
Financial institutions	4,138	26		4,164
Corporate	6,021	107	(5)	6,123
Foreign currency bonds	96			96

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Total held-to-maturity financial assets	13,622	197	(5)	13,814
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- (1) Beneficiary certificates are instruments that are issued by and represent an ownership interest in an investment trust. Investment trusts, which operate like mutual funds in the United States, are managed by investment trust management companies and invest in portfolios of securities and/or other financial instruments, such as certificates of deposit. Beneficiary certificates give the holder beneficial rights to both the relevant investment trust and the trust property in which the investment trust has invested.
- (2) The amounts as of December 31, 2013 exclude certain former subsidiaries classified as a disposal group held for distribution or sale.

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For a discussion of our risk management policies with respect to our securities trading activities, see Item 11. Quantitative and Qualitative Disclosures about Market Risk Market Risk Management Market Risk Management for Trading Activities.

Derivatives Trading

We offer derivatives products and engage in derivatives trading, mostly for our corporate customers. Our trading volume was 178,756 billion in 2013, 175,635 billion in 2014 and 203,956 billion in 2015. Our aggregate net trading revenue from derivatives for the years ended December 31, 2013, 2014 and 2015 was 174 billion, 162 billion and 174 billion, respectively.

We provide and trade a number of derivatives products principally through sales or brokerage accounts for our customers, including:

interest rate swaps, options and futures, relating principally to Won interest rate risks;

index futures and options, relating to stock market fluctuations;

cross currency swaps, relating to foreign exchange risks, largely for Won against U.S. dollars;

foreign exchange forwards, swaps, options and futures, relating to foreign exchange risks;

commodity derivatives, which we provide to customers that wish to hedge their commodities exposure; and

credit derivatives, which we provide to financial institutions that wish to hedge existing credit exposures or take on credit exposure to generate revenue.

Our derivatives operations focus on addressing the needs of our corporate clients to hedge their risk exposure and on hedging our risk exposure resulting from such client contracts. We also engage in derivatives trading activities to hedge the interest rate and foreign currency risk exposure that arises from our own assets and liability positions. In addition, we engage in proprietary trading of derivatives, such as index options and futures within our regulated open position limits, for the purpose of generating capital gains.

The following shows the estimated fair value of derivatives we held or had issued for trading purposes as of the dates indicated:

	2013 ⁽¹⁾		As of December 31, 2014		2015	
	Estimated Fair Value of Assets	Estimated Fair Value of Liabilities	Estimated Fair Value of Assets	Estimated Fair Value of Liabilities	Estimated Fair Value of Assets	Estimated Fair Value of Liabilities
Currency derivatives	1,119	1,039	965	934	1,441	1,439
Interest rate derivatives	1,008	1,034	1,110	1,152	938	975
Equity derivatives	55	20	2	20		155
Commodity derivatives	3	3	34	34	11	12
Total	2,185	2,096	2,111	2,140	2,390	2,581

(1) The amounts as of December 31, 2013 exclude certain former subsidiaries classified as a disposal group held for distribution or sale. For a discussion of our risk management policies with respect to our derivatives trading activities, see Item 11. Quantitative and Qualitative Disclosures about Market Risk Market Risk Management Market Risk Management for Trading Activities.

Asset Securitization Services

We are active in the Korean asset-backed securities market. We participate in asset securitization transactions in Korea by acting as arranger, trustee or liquidity provider. In 2015, we were involved in asset

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securitization transactions with an initial aggregate issue amount of 2,672 billion and generated total fee income of approximately 23 billion in connection with such transactions. The securities issued in asset securitization transactions are sold mainly to institutional investors buying through Korean securities firms.

Investment Banking

We engage in investment banking activities in Korea. In addition, we provide project finance and financial advisory services, in the area of social overhead capital projects such as highway, port, power and water and sewage projects, as well as structured finance, leveraged buy-out financing, equity and venture financing and mergers and acquisitions financing services. In 2015, we generated investment banking revenue of approximately 162 billion from gains on investment in foreign bonds and equity securities and fees from advisory and other services.

We believe that significant opportunities exist for us to leverage our existing base of large corporate and small- and medium-sized banking customers to cross-sell investment banking services. We intend to expand our investment banking operations to take advantage of these opportunities, with a view to increasing our fee income and further diversifying our revenue base.

International Banking

We engage in various international banking activities, including foreign exchange services and dealing, import and export-related services, offshore lending, syndicated loans and foreign currency securities investment. These services are provided primarily to our domestic customers and overseas subsidiaries and affiliates of Korean corporations. We also raise foreign currency funding through our international banking operations. In addition, we provide commercial banking services to retail and corporate customers in select overseas markets.

The table below sets forth certain information regarding our foreign currency assets and borrowings:

	2013 ⁽¹⁾	As of December 31, 2014 (in millions of US\$)	2015
Total foreign currency assets	US\$ 30,300	US\$ 30,138	US\$ 33,329
Foreign currency borrowings			
Call money	US\$ 918	US\$ 1,008	US\$ 1,097
Long-term borrowings	4,672	3,827	4,883
Short-term borrowings	7,382	9,148	7,247
Total foreign currency borrowings	US\$ 12,972	US\$ 13,983	US\$ 13,227

⁽¹⁾ The amounts as of December 31, 2013 exclude certain former subsidiaries classified as a disposal group held for distribution or sale.

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The table below sets forth our overseas subsidiaries and branches in operation as of December 31, 2015:

Business Unit⁽¹⁾	Location
Subsidiaries:	
Woori America Bank	United States
PT Bank Woori Saudara Indonesia 1906, Tbk	Indonesia
Woori Global Markets Asia Limited	China (Hong Kong)
Woori Bank (China) Limited	China
ZAO Woori Bank	Russia
Woori Brazil Bank	Brazil
Woori Finance Cambodia	Cambodia
Woori Finance Myanmar	Myanmar
Branches, Agencies and Representative Offices:	
London Branch	United Kingdom
Tokyo Branch	Japan
Singapore Branch	Singapore
Hong Kong Branch	China (Hong Kong)
Bahrain Branch	Bahrain
Dhaka Branch	Bangladesh
Hanoi Branch	Vietnam
Ho Chi Minh City Branch	Vietnam
Gaeseong Industrial Complex Branch	North Korea
New York Agency	United States
Los Angeles Branch	United States
Chennai Branch	India
Sydney Branch	Australia
Dubai Branch	United Arab Emirates
Kuala Lumpur Representative Office	Malaysia
Yangon Representative Office	Myanmar

⁽¹⁾ Does not include subsidiaries and branches in liquidation or dissolution.

The principal activities of our overseas branches and subsidiaries are providing trade financing and local currency funding for Korean companies and Korean nationals operating in overseas markets as well as servicing local customers and providing foreign exchange services in conjunction with our headquarters. On a limited basis, such overseas branches and subsidiaries also engage in the investment and trading of securities of foreign issuers.

Woori America Bank currently operates 19 branches in New York, New Jersey, Maryland, Virginia, Pennsylvania and California and provides retail and corporate banking services targeted towards the Korean-American community. Woori America Bank had total assets of US\$1,452 million as of December 31, 2015 and net profit of US\$11 million in 2015.

In November 2007, Woori Bank established a local subsidiary in China, Woori Bank (China) Limited, which currently has branches in Beijing, Shenzhen, Suzhou, Tianjin, Dalian and Chengdu. We also established a local subsidiary in Russia, ZAO Woori Bank, in January 2008 and it currently has a branch in St. Petersburg and a representative office in Vladivostok. In addition, we have in recent years entered into various memoranda of understanding and strategic alliances with local banks in overseas markets, including Qatar, China and South Africa, in order to pursue business cooperation activities in such markets such as joint marketing efforts and information exchange.

In January 2014, we completed the purchase of an additional 27% equity interest (in addition to the 6% equity interest we previously acquired through our subsidiary PT. Bank Woori Indonesia) in PT. Bank Himpunan Saudara 1906, an Indonesian commercial bank with a network of over 100 branches and offices throughout Indonesia. In December 2014, PT. Bank Woori Indonesia merged with and into PT. Bank Himpunan Saudara

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1906. The merged entity, in which we hold a 74.0% equity interest, was renamed PT Bank Woori Saudara Indonesia 1906, Tbk and became our consolidated subsidiary. As of December 31, 2015, PT Bank Woori Saudara Indonesia 1906, Tbk had total assets of approximately US\$1,511 million and shareholders' equity of US\$301 million.

In December 2015, we entered into an investment agreement to acquire a 51% equity interest in Wealth Development Bank Corp., a savings bank in the Philippines with a network of 16 branches and approximately 300 employees, by purchasing newly issued shares for approximately US\$20 million. The completion of the proposed investment is subject to a number of conditions, including receipt of all regulatory approvals in the Philippines and Korea.

Asset Management

Trust Management Services

Money Trusts. We offer money trust products to our customers and manage the funds they invest in money trusts. The money trusts we manage are generally trusts with a fixed life that allow investors to share in the investment performance of the trust in proportion to the amount of their investment in the trust. We principally offer the following types of money trust products:

retirement trusts, which invest funds received from corporations or organizations and manage these funds until they are withdrawn to pay retirement funds to a corporation's officers or employees or an organization's members;

pension trusts, which invest funds received until pension benefits are due to be disbursed to a pension beneficiary; and

specified money trusts, which invest cash received as trust property at the direction of the trustors and, once the trust matures, disburse the principal and any gains to the trust beneficiaries.

We also offer other types of money trusts that have a variety of differing characteristics with respect to, for example, maturities and tax treatment.

Under Korean law, the assets of our money trusts are segregated from our assets and are not available to satisfy the claims of our creditors. We are, however, permitted to maintain deposits of surplus funds generated by trust assets in certain circumstances as set forth under the Trust Act of Korea. Except for specified money trusts, we have investment discretion over all money trusts, which are pooled and managed jointly for each type of trust. Specified money trusts are established on behalf of individual customers, typically corporations, which direct our investment of trust assets.

We receive fees for our trust management services that are generally based upon a percentage, ranging between 0.01% and 2.0%, of the net asset value of the assets under management. We also receive penalty payments when customers terminate their trust deposit prior to the original contract maturity. Fees that we received for trust management services (including those fees related to property trust management services, described below, but excluding those fees relating to guaranteed trusts, which are eliminated in consolidation), net of expenses, amounted to \$36 billion (excluding discontinued operations) in 2013, \$40 billion (excluding discontinued operations) in 2014 and \$49 billion in 2015.

For some of the money trusts we manage, we have guaranteed the principal amount of an investor's investment as well as a fixed rate of interest. We no longer offer new money trust products where we guarantee both the principal amount and a fixed rate of interest. We continue to offer pension-type money trusts that provide a guarantee of the principal amount of an investor's investment.

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The following table shows the balances of our money trusts by type as of the dates indicated. We consolidate within our financial statements trust accounts for which we guarantee both the repayment of the principal amount and a fixed rate of interest and, commencing in 2013, trust accounts for which we guarantee only the repayment of the principal amount, while we do not consolidate performance trusts on which we do not guarantee principal or interest:

	2013 ⁽¹⁾	As of December 31, 2014 (in billions of Won)	2015
Principal and interest guaranteed trusts	1	1	1
Principal guaranteed trusts	1,217	1,263	1,287
Performance trusts	17,381	19,837	21,324
Total	18,599	21,101	22,612

⁽¹⁾ The amounts as of December 31, 2013 exclude certain former subsidiaries classified as a disposal group held for distribution or sale. The trust assets we manage consist principally of investment securities, loans made from the trusts and amounts due from banks. The investment securities consist of government-related debt securities, corporate debt securities, including bonds and commercial paper, equity securities and other securities. As of December 31, 2015, our money trusts had invested in securities with an aggregate book value of 3,388 billion, which accounted for approximately 14.7% of our money trust assets. Debt securities accounted for 2,398 billion of this amount.

Our money trusts also invest, to a lesser extent, in equity securities, including beneficiary certificates issued by investment trust management companies. As of December 31, 2015, equity securities held by our money trusts amounted to 990 billion, which accounted for approximately 4.4% of our money trust assets. Of this amount, 423 billion was from money trusts over which we had investment discretion and the remainder was from specified money trusts.

Loans made by our money trusts are similar in type to the loans made by our banking operations. As of December 31, 2015, our money trusts had made loans in the aggregate principal amount of 4,785 billion (excluding loans to our banking operations of 3,792 billion), which accounted for approximately 20.7% of our money trust assets.

The amounts due from banks consist of local currency and foreign currencies. As of December 31, 2015, such amounts due from banks totaled 10,906 billion, which accounted for approximately 47.3% of our money trust assets.

If the income from a money trust for which we provide a guarantee is less than the amount of the payments we have guaranteed, we will need to pay the amount of the shortfall with funds from special reserves maintained in our trust accounts, followed by basic fees from that money trust and funds from our banking operations. We net any payments we make as a result of these shortfalls against any gains we receive from other money trusts. No material payments of any such shortfall amounts were made in 2015.

Property Trusts. We also offer property trust management services, where we manage non-cash assets in return for a fee. Non-cash assets include mostly receivables (including those securing asset-backed securities), real property and securities, but can also include movable property such as artwork. Under these arrangements, we render escrow or custodial services for the property in question and collect fees in return.

In 2015, our property trust fees generally ranged from 0.003% to 0.15% of total assets under management, depending on the type of trust account product. As of December 31, 2015, the balance of our property trusts totaled 10,994 billion.

Property trusts are not consolidated within our financial statements.

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Trustee and Custodian Services Relating to Securities Investment Trusts

We act as a trustee for approximately 1,673 securities investment trusts, mutual funds and other investment funds. We receive a fee for acting as a trustee and generally perform the following functions:

receiving payments made in respect of such securities;

executing trades in respect of such securities on behalf of the investment fund, based on instructions from the relevant investment fund management company; and

in certain cases, authenticating beneficiary certificates issued by investment trust management companies and handling settlements in respect of such beneficiary certificates.

For the year ended December 31, 2015, our fee income from such services was 10 billion.

Other Businesses

Management of National Housing Urban Fund

In April 2008, we were selected to be the lead manager of the National Housing Urban Fund. The National Housing Urban Fund provides financial support to low-income households in Korea by providing mortgage financing and construction loans for projects to build small- and medium-sized housing. As of December 31, 2015, outstanding housing loans from the National Housing Urban Fund amounted to approximately 85.4 trillion, of which we originated approximately 46.3 trillion. The activities of the National Housing Urban Fund are funded primarily by the issuance of national housing bonds, which must be purchased by persons and legal entities wishing to make real estate-related registrations and filings, and by subscription savings deposits held at the National Housing Urban Fund.

In return for managing the operations of the National Housing Urban Fund, we receive a monthly fee. This fee consists of a fund raising fee, a loan origination fee and a management fee. The fund raising fee is based on the number of National Housing Urban Fund subscription savings deposit accounts opened and the level of activity for existing accounts and the number of National Housing Urban Fund bonds issued or redeemed. The loan origination fee is based on the number of new National Housing Urban Fund loans and the number of National Housing Urban Fund mortgage loans to contractors constructing housing units that are assumed by the individual buyers of housing units and the level of activity for existing loans during each month. The management fee is based on the monthly average of the number of outstanding accounts and the monthly average of the number of overdue loans owed to the National Housing Urban Fund. We received total fees of approximately 55 billion for managing the National Housing Urban Fund in 2015.

Bancassurance

The term *bancassurance* refers to the marketing and sale by commercial banks of insurance products manufactured within a group of affiliated companies or by third-party insurance companies. We market a wide range of bancassurance products. In 2015, we generated fee income of approximately 96 billion through the marketing of bancassurance products. We believe that we will be able to continue to develop an important new source of fee-based revenues by expanding our offering of these products. We have entered into bancassurance marketing arrangements with 26 insurance companies, including Samsung Life Insurance, Samsung Fire and Marine Insurance, Hanwha Life Insurance, Hyundai Fire and Marine Insurance and American International Assurance, and plan to enter into additional insurance product marketing arrangements with other leading insurance companies whose names and reputation are likely to be familiar to our customer base.

Private Equity

In October 2005, we established Woori Private Equity Co., Ltd. with the aim of strengthening our principal investment operations. Woori Private Equity seeks to make long-term and strategic investments in buyout target companies, as well as actively involving itself in their management. This involves identifying potential investees suffering from inefficient management and effecting financial restructuring and strategic reorientation in those

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investees so as to enhance their enterprise value. We expect Woori Private Equity's operations to continue to provide us with investment opportunities and a source of business for other related segments, especially corporate banking. In July 2006, Woori Private Equity established Woori Private Equity Fund, the size of which is approximately 344 billion, as a limited partnership in which Woori Private Equity serves as a general partner. In December 2009, Woori Private Equity established Woori Blackstone Korea Opportunity Private Equity Fund I, the size of which is approximately 606 billion, as a limited partnership in which Woori Private Equity serves as a general partner. In October 2012, Woori Private Equity established Woori Columbus Private Equity Fund I, the size of which is approximately 61 billion, as a limited partnership in which it serves as the general partner.

Competition

We compete with other financial institutions in Korea, including principally nationwide and regional Korean commercial banks and branches of foreign banks operating in Korea. In addition, in particular segments such as credit cards, asset management and bancassurance, we compete with specialized financial institutions focusing on such segments. Some of the financial institutions we compete with are larger in terms of asset size and customer base and have greater financial resources or more specialized capabilities than us.

Competition in the Korean financial market has been and is likely to remain intense. In particular, in the area of our core banking operations, most Korean banks have been focusing on retail customers and small- and medium-sized enterprises in recent years, although they have begun to increase their exposure to large corporate borrowers, and have been focusing on developing fee income businesses, including bancassurance, as increasingly important sources of revenue. In the area of credit cards, Korean banks and credit card companies have in the past engaged in aggressive marketing activities and made significant investments, contributing to some extent to the lower profitability and asset quality problems previously experienced with respect to credit card receivables.

In addition, we believe regulatory reforms and the general modernization of business practices in Korea will lead to increased competition among financial institutions in Korea. In the second half of 2015, the Korean government implemented measures to facilitate bank account portability of retail customers by requiring commercial banks to establish systems that allow retail customers to easily switch their bank accounts at one commercial bank to another and automatically transfer the automatic payment settings of their former accounts to the new ones. Such measures are expected to further intensify competition among financial institutions in Korea. We also believe that foreign financial institutions, many of which have greater experience and resources than we do, will seek to compete with us in providing financial products and services either by themselves or in partnership with existing Korean financial institutions. Furthermore, a number of significant mergers and acquisitions in the industry have taken place in Korea in recent years, including Hana Financial Group's acquisition of a controlling interest in Korea Exchange Bank in February 2012 and the subsequent merger of Hana Bank into Korea Exchange Bank in September 2015. Moreover, in 2014, pursuant to the implementation of the Korean government's privatization plan with respect to Woori Finance Holdings and its former subsidiaries, Woori Financial, Woori Asset Management and Woori F&I were acquired by KB Financial Group, Kiwoom Securities and Daishin Securities, respectively, and Woori Investment & Securities, Woori Aviva Life Insurance and Woori FG Savings Bank were acquired by NongHyup Financial Group. In addition, in October 2014, the KDIC's ownership interest in Kwangju Bank and Kyongnam Bank were acquired by JB Financial Group and BS Financial Group, respectively. See Item 4A. History and Development of the Company Privatization Plan. We expect that consolidation in the financial industry will continue. Other financial institutions may seek to acquire or merge with other entities, and the financial institutions resulting from this consolidation may, by virtue of their increased size and business scope, provide significantly greater competition for us. See Item 3D. Risk Factors Risks relating to competition.

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Assets and Liabilities

The tables below and accompanying discussions provide selected financial highlights regarding our assets and liabilities on a consolidated basis.

The Korean government, which currently owns 51.06% of our outstanding common stock through the KDIC, has been implementing a privatization plan with respect to Woori Finance Holdings and its former subsidiaries, including us. See Item 4A. History and Development of the Company Privatization Plan. In light of their dispositions under the privatization plan, which were completed during 2014, Kwangju Bank, Kyongnam Bank, Woori Investment & Securities, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I were classified as a disposal group held for distribution or sale, and their operations were accounted for as discontinued operations. Unless expressly stated otherwise, our financial information as of December 31, 2013 and 2014 and for the years ended December 31, 2011, 2012, 2013 and 2014 set forth below does not include financial data with respect to such discontinued operations, while our financial information as of December 31, 2011 and 2012 set forth below includes financial data with respect to such discontinued operations.

Certain information with respect to our loan portfolio and the asset quality of our loans is presented below on a basis consistent with certain requirements of the Financial Services Commission applicable to Korean financial institutions, which differs (as described below where applicable) from the presentation of such information in our financial statements prepared in accordance with IFRS, as we believe that such alternative presentation allows us to provide additional details regarding our loan portfolio and the asset quality of our loans which would be helpful to our investors.

Loan Portfolio

As of December 31, 2015, the balance of our total loan portfolio was 227,169 billion. As of December 31, 2015, 88.0% of our total loans were Won-denominated loans and 12.0% of our total loans were denominated in other currencies. Of the 27,325 billion of foreign currency-denominated loans as of that date, approximately 45.3% represented foreign loans to offshore entities and individuals. We make foreign loans primarily through our overseas branches to affiliates of large Korean manufacturing companies for trade financing and working capital.

Except where we specify otherwise, all loan amounts stated below do not include amounts due from banks and other receivables and are prior to deducting allowance for credit losses and present value discount or reflecting deferred origination costs, and all corporate loan amounts stated below include loans made to the Korean government and government-owned agencies and banks.

Table of Contents*Loan Types*

The following table presents loans by type as of the dates indicated. Total loans reflect our loan portfolio, including past due amounts.

	2011	2012 ⁽¹⁾	As of December 31, 2013 ⁽¹⁾⁽²⁾ (in billions of Won)	2014 ⁽¹⁾	2015 ⁽¹⁾
Domestic:					
Corporate ⁽³⁾ :					
Commercial and industrial	101,738	105,048	91,058	89,410	92,802
Lease financing	700	698			
Trade financing	13,171	11,982	10,296	11,937	11,446
Other commercial	10,927	13,263	9,690	11,440	12,229
Total corporate	126,536	130,991	111,044	112,787	116,477
Consumer:					
General purpose household	32,709	31,725	25,094	25,070	26,971
Mortgage	12,138	16,409	19,952	28,988	40,598
Home equity	27,940	30,424	25,732	25,340	24,657
Total consumer	72,787	78,558	70,778	79,398	92,226
Credit cards	4,592	4,505	4,209	5,114	6,099
Total domestic	203,915	214,054	186,031	197,299	214,802
Foreign:					
Corporate ⁽⁴⁾ :					
Commercial and industrial	8,013	6,058	6,961	7,989	9,518
Trade financing	165	141	319	725	1,421
Other commercial	272	522	192	245	206
Total corporate	8,450	6,721	7,472	8,959	11,145
Consumer	127	253	263	819	1,222
Total foreign	8,577	6,974	7,735	9,778	12,367
Total loans⁽⁵⁾	212,492	221,028	193,766	207,077	227,169
Less: present value discount	(31)	(25)	(25)	(17)	(5)
Less: deferred origination costs (fees)	178	258	295	368	435
Less: allowance for credit losses	(3,759)	(3,565)	(3,337)	(2,609)	(2,051)
Total loans, net	208,880	217,696	190,699	204,819	225,548

(1) The amounts as of December 31, 2013, 2014 and 2015 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which became effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts as of December 31, 2012 (but not as of December 31, 2011) were restated to retroactively apply such change.

(2) The amounts as of December 31, 2013 exclude certain former subsidiaries classified as a disposal group held for distribution or sale.

(3) Including loans made to banks and the Korean government and government-owned agencies.

(4) Including loans made to banks.

(5) Not including due from banks and other receivables.

Loan Concentrations

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We limit our total exposure to any single borrower as required by Korean regulations and pursuant to our internal policies and determine this limit based on the borrower's credit rating provided by our CREPIA system. We may adjust our limit if such limit would otherwise exceed the limit imposed by Korean regulations. See Supervision and Regulation Principal Regulations Applicable to Banks Financial Exposure to Any Individual Customer or Major Shareholder.

Table of Contents*20 Largest Exposures by Borrower*

As of December 31, 2015, our exposures to our 20 largest borrowers or issuers totaled 40,182 billion and accounted for 11.0% of our total exposures. The following table sets forth our total exposures to those borrowers or issuers as of that date:

Company (Credit Rating) ⁽¹⁾	Loans					Total exposures	Collateral ⁽²⁾	Amounts classified as substandard or below ⁽³⁾
	Won currency	Foreign currency	Equity securities	Debt securities	Guarantees and acceptances			
The Bank of Korea (AAA)	2,270			6,060		8,330		
Korean Government ⁽⁴⁾				7,577		7,577		
Korea Housing Finance Corporation (AA)				4,101		4,101		
Korea Development Bank (AAA)	27			2,938		2,965		
Korea Land & Housing Corporation (AA)	966			1,741		2,707		
Hyundai Heavy Industries (A+)	10	404	4		1,691	2,109		
Samsung Electronics (AAA)	43	1,482	3			1,528		
Defense Acquisition Program Administration (AAA)					1,441	1,441		
Samsung Heavy Industries (A+)	120	21	2	10	1,041	1,194		
Meritz Securities (A-)	1,154					1,154		
Hyundai Mipo Dockyard (A-)		52			886	938		
Hi Investment & Securities (A-)	914					914		
Daewoo International (A+)	1	593			215	809	1	
Daewoo Securities (A+)	800					800		
Hyundai Samho Heavy Industries (BBB+)		260			465	725		
Industrial Bank of Korea (AAA)	511	12		116		639		
Korea Railroad Corporation (AA)	1			624	7	632		
Korea Deposit Insurance Corporation (AA)				548		548		
Doosan Heavy Industries & Construction (A-)	280	91			176	547		
Hanwha Corporation (A+)	320	18			186	524	42	
Total	7,417	2,933	9	23,715	6,108	40,182	43	

(1) Credit ratings from one of the following domestic credit rating agencies in Korea as of December 31, 2015: Korea Information Service Inc., National Information & Credit Evaluation, Inc., or Korea Ratings.

(2) The value of collateral is appraised based on future cash flow and observable market price.

(3) Classification is based on the Financial Services Commission's asset classification criteria.

(4) Credit rating is unavailable.

As of December 31, 2015, eight of these top 20 borrowers or issuers were companies belonging to the 30 largest *chaebols* in Korea. See Item 3D. Risk Factors Risks relating to our corporate credit portfolio We have exposure to the largest Korean commercial conglomerates, known as *chaebols*, and, as a result, financial difficulties of *chaebols* may have an adverse impact on us.

Table of Contents*Exposure to Chaebols*

As of December 31, 2015, 7.2% of our total exposure was to the 30 largest *chaebols* in Korea. The following table shows, as of December 31, 2015, our total exposures to the ten *chaebol* groups to which we have the largest exposure:

Chaebol	Loans						Collateral ⁽¹⁾	Amounts Classified as substandard or below ⁽²⁾
	Won currency	Foreign currency	Equity securities	Debt securities	Guarantees and acceptances (in billions of Won)	Total exposures		
Hyundai Heavy Industries	1,061	822	4		3,118	5,005	11	
Samsung	631	2,230	13	107	1,666	4,647	1	
Hyundai Motors	1,194	826	51	375	332	2,778	30	
Doosan	1,093	167			407	1,667	141	
Hanhwa	954	165		15	241	1,375	281	
LG	642	497	2	10	72	1,223	17	
SK	339	313	2		449	1,103	3	
Hyosung	496	325			140	961	205	14
LS	106	387	1		303	797		2
Daelim	569	19	1		169	758	124	12
Total	7,085	5,751	74	507	6,897	20,314	813	28

(1) The value of collateral is appraised based on future cash flow and observable market price.

(2) Classification is based on the Financial Services Commission's asset classification criteria.

Loan Concentration by Industry

The following table shows, as of December 31, 2015, the aggregate balance of our domestic and foreign corporate loans by industry concentration and as a percentage of our total corporate lending:

Industry	Aggregate corporate loan balance (in billions of Won)	Percentage of total corporate loan balance
Manufacturing	40,067	31.4%
Retail and wholesale	17,287	13.5
Financial and insurance	15,633	12.2
Hotel, leisure or transportation	7,127	5.6
Construction	6,018	4.7
Government and government agencies	392	0.3
Other	41,098	32.2
Total	127,622	100.0%

Table of Contents*Maturity Analysis*

The following table sets out, as of December 31, 2015, the scheduled maturities (time remaining until maturity) of our loan portfolio. The amounts disclosed in the following table are before deduction of allowance for credit losses and present value discount and do not reflect deferred origination costs:

	1 year or less	Over 1 year but not more than 5 years (in billions of Won)	Over 5 years	Total
Domestic				
Corporate ⁽¹⁾				
Commercial and industrial	65,199	21,421	6,182	92,802
Lease financing				
Trade financing	11,442	4		11,446
Other commercial	9,610	1,730	889	12,229
Total corporate	86,251	23,155	7,071	116,477
Consumer				
General purpose household	15,208	5,267	6,496	26,971
Mortgage	7,483	9,026	24,089	40,598
Home equity	4,287	3,851	16,519	24,657
Total consumer	26,978	18,144	47,104	92,226
Credit cards	5,025	893	181	6,099
Total domestic	118,254	42,192	54,356	214,802
Foreign				
Corporate ⁽²⁾				
Commercial and industrial	6,326	2,389	803	9,518
Lease financing				
Trade financing	1,421			1,421
Other commercial	70	122	14	206
Total corporate	7,817	2,511	817	11,145
Consumer				
Other consumer	106	208	908	1,222
Total foreign	7,923	2,719	1,725	12,367
Total loans	126,177	44,911	56,081	227,169

(1) Including loans made to banks and the Korean government and government-owned agencies.

(2) Including loans made to banks.

A significant portion of our loans with maturities of one year is renewed annually. We typically roll over our working capital loans and consumer loans (other than those payable in installments) after we conduct our normal loan review in accordance with our loan review procedures. Under our internal guidelines, we may generally extend working capital loans on an annual basis for an aggregate term of five years. Those guidelines also allow us to generally extend consumer loans other than home equity loans for another term on an annual basis for an aggregate term of up to five years (and home equity loans for an aggregate term of up to ten years).

Table of Contents*Interest Rates*

The following table shows, as of December 31, 2015, the total amount of our loans due after one year that have fixed interest rates and variable or adjustable interest rates:

	Domestic	Foreign (in billions of Won)	Total
Fixed rate ⁽¹⁾	41,128	1,072	42,200
Variable or adjustable rates ⁽²⁾	55,420	3,372	58,792
Total loans	96,548	4,444	100,992

(1) Fixed rate loans are loans for which the interest rate is fixed for the entire term.

(2) Variable or adjustable rate loans are loans for which the interest rate is not fixed for the entire term.

For additional information regarding our management of interest rate risk, see Item 11. Quantitative and Qualitative Disclosures about Market Risk Market Risk Management Asset and Liability Management.

Asset Quality of Loans

Except where we specify otherwise, all loan amounts stated below do not include amounts due from banks and other receivables and are prior to deducting allowance for credit losses and present value discount or reflecting deferred origination costs, and all corporate loan amounts stated below include loans made to the Korean government and government-owned agencies and banks.

Loan Classifications

The Financial Services Commission generally requires Korean financial institutions to analyze and classify their assets by quality into one of five categories for reporting purposes. In making these classifications, we take into account a number of factors, including the financial position, profitability and transaction history of the borrower, and the value of any collateral or guarantee taken as security for the extension of credit. This classification method, and our related provisioning policy, is intended to fully reflect the borrower's capacity to repay.

The following is a summary of the asset classification criteria we apply for corporate and consumer loans, based on the asset classification guidelines of the Financial Services Commission. Credit card receivables are subject to classification based on the number of days past due, as required by the Financial Services Commission. We also apply different criteria for other types of credits such as loans to the Korean government or to government-related or controlled entities, certain bills of exchange and certain receivables.

Asset Classification

Normal

Characteristics

Credits extended to customers that, based on our consideration of their business, financial position and future cash flows, do not raise concerns regarding their ability to repay the credits.

Precautionary

Credits extended to customers that:

based on our consideration of their business, financial position and future cash flows, show potential risks with respect to their ability to repay the credits, although showing no immediate default risk; or

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are in arrears for one month or more but less than three months.

Substandard

Either:

credits extended to customers that, based on our consideration of their business, financial position and future cash flows, are judged to have incurred considerable default risks as their ability to repay has deteriorated; or

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Asset Classification

Characteristics

the portion that we expect to collect of total loans (1) extended to customers that have been in arrears for three months or more, (2) extended to customers that have incurred serious default risks due to the occurrence of, among other things, final refusal to pay their debt instruments, entry into liquidation or bankruptcy proceedings, or closure of their businesses, or (3) extended to customers who have outstanding loans that are classified as doubtful or estimated loss.

Doubtful

Credits exceeding the amount we expect to collect of total credits to customers that:

based on our consideration of their business, financial position and future cash flows, have incurred serious default risks due to noticeable deterioration in their ability to repay; or

have been in arrears for three months or more but less than twelve months.

Estimated Loss

Credits exceeding the amount we expect to collect of total credits to customers that:

based on our consideration of their business, financial position and future cash flows, are judged to have to be accounted as a loss as the inability to repay became certain due to serious deterioration in their ability to repay;

have been in arrears for twelve months or more; or

have incurred serious risks of default in repayment due to the occurrence of, among other things, final refusal to pay their debt instruments, liquidation or bankruptcy proceedings or closure of their business.

Loan Loss Provisioning Policy

We establish allowances for credit losses with respect to loans using either a case-by-case or collective approach. We assess individually significant loans on a case-by-case basis and other loans on a collective basis. In addition, if we determine that no objective evidence of impairment exists for a loan, we include such loan in a group of loans with similar credit risk characteristics and assess them collectively for impairment regardless of whether such loan is significant. If there is objective evidence that an impairment loss has been incurred for individually significant loans, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of the estimated future cash flows discounted at such asset's original effective interest rate. Future cash flows are estimated through a case-by-case analysis of individually assessed assets, which takes into account the benefit of any guarantee or other collateral held. The value and timing of future cash flow receipts are based on available estimates in conjunction with facts available at the time of review and reassessed on a periodic basis as new information becomes available.

For collectively assessed loans, we base the level of allowance for credit losses on a portfolio basis in light of the homogenous nature of the assets included in each portfolio. The allowances are determined based on a quantitative review of the relevant portfolio, taking into account such factors as the level of arrears, the value of any security, and historical and projected cash recovery trends over the recovery period. The methodologies we use to estimate collectively assessed allowances reflect the probability that the performing customer will default, our historical loss experience (as adjusted by current economic and credit conditions where appropriate) and the emergence period between an impairment event occurring and a loan being identified and reported as impaired.

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If additions or changes to the allowance for credit losses are required, then we record provisions for credit loss, which are included in impairment losses due to credit loss and treated as charges against current income.

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Credit exposures that we deem to be uncollectible, including actual loan losses, net of recoveries of previously charged-off amounts, are charged directly against the allowance for credit losses. See Item 5A. Operating Results Critical Accounting Policies Impairment of Loans and Allowance for Credit Losses.

We also consider the following loans to be impaired loans:

loans that are past due by 90 days or more;

loans that are subject to legal proceedings related to collection;

loans to a borrower that has received a warning from the Korea Federation of Banks indicating that such borrower has exhibited difficulties in making timely payments of principal and interest;

loans to corporate borrowers that are rated **D** according to our internal credit ratings;

restructured loans; and

individually significant loans classified as precautionary based on the asset classification criteria of the Financial Services Commission, where the borrower is subject to complete capital impairment or has received an adverse audit opinion or disclaimer of opinion on its financial statements.

In addition, if our allowance for credit losses is deemed insufficient for regulatory purposes, we compensate for the difference by recording a planned regulatory reserve for credit loss, which is segregated within our retained earnings. The level of planned regulatory reserve for credit loss required to be recorded is equal to the amount by which our allowance for credit losses under IFRS is less than the greater of (x) the amount of expected loss calculated using the internal ratings-based approach under Basel II and as approved by the Financial Supervisory Service and (y) the required amount of credit loss reserve calculated based on guidelines prescribed by the Financial Services Commission. The following table sets forth the Financial Services Commission's guidelines applicable to banking institutions for the minimum percentages of the outstanding principal amount of the relevant loans or balances that the credit loss reserve must cover:

Loan classifications	Corporate ⁽¹⁾	Consumer	Credit card receivables ⁽²⁾	Credit card loans ⁽³⁾
Normal	0.85% or above	1% or above	1.1% or above	2.5% or above
Precautionary	7% or above	10% or above	40% or above	50% or above
Substandard	20% or above	20% or above	60% or above	65% or above
Doubtful	50% or above	55% or above	75% or above	75% or above
Estimated loss	100%	100%	100%	100%

(1) Subject to certain exceptions pursuant to the Banking Industry Supervision Regulations of Korea.

(2) Applicable for credit card receivables for general purchases of products or services.

(3) Applicable for cash advances, card loans and revolving loan receivables.

The process to determine the allowances for off-balance sheet positions under IFRS is similar to the methodology used for loans. Any loss amounts are recognized as a provision in the consolidated statements of financial position within liabilities and charged to the consolidated statement of income as a component of the impairment losses due to credit loss.

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The actual amount of credit losses we incur may differ from our loss estimates as a result of changing economic conditions, changes in industry or geographic concentrations, or other factors. We monitor the differences between our estimated and actual incurred credit losses, and we undertake detailed periodic assessments of both individual loans and credit portfolios, the models we use to estimate incurred credit losses in those portfolios and the adequacy of our overall allowances.

Problem Loans and Past Due Accruing Loans

We do not identify or segregate non-accrual loans as a conceptual matter in our financial statements prepared in accordance with IFRS as issued by the IASB, as we continue to accrue interest on all impaired loans based on the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss

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in accordance with the requirements of paragraph AG93 of IAS 39, *Financial Instruments: Recognition and Measurement*. However, we continue to monitor and manage our problem loans by generally placing loans on problem loan status when payments of interest and/or principal become past due by 90 days. In addition, the following types of loans are classified as problem loans by us even if such loans are not past due:

Loans to creditors with dishonored notes or checks;

Loans for which interest payments are reduced or postponed (e.g., through work-out procedures or debt restructurings); and

Loans to creditors included in the watch list maintained by the Korea Federation of Banks.

We reclassify loans as non-problem loans when interest and principal payments are up-to-date and future payments of principal and interest are reasonably assured. In applying payments on problem loans, we first apply payments to the delinquent interest outstanding, then to non-delinquent interest, and then to the outstanding loan balance until the loan is paid in full.

Foregone interest is the portion of the contractual interest due on problem loans that we have not accrued in our books. If we had not foregone interest on our problem loans, we would have recorded gross interest income of 213 billion (excluding discontinued operations), 218 billion (excluding discontinued operations) and 164 billion, for 2013, 2014 and 2015, respectively, on loans accounted for as problem loans throughout the year, or since origination for loans held for part of the year. The actual amount of interest income on those loans included in our net income for 2013, 2014 and 2015 was 118 billion (excluding discontinued operations), 88 billion (excluding discontinued operations) and 57 billion, respectively.

The category accruing loans which are contractually past due 90 days or more as to principal or interest includes loans that are still accruing interest based on the contractual rate of interest but on which principal or interest payments are contractually past due 90 days or more. We continue to accrue contractual interest on loans that are fully secured by deposits or on which there are financial guarantees from the Korean government, the KDIC or certain financial institutions.

The following table shows, as of the dates indicated, the amount of loans that were problem loans and accruing loans which were past due 90 days or more:

	2011		2012		As of December 31, 2013 ⁽¹⁾			2014			2015				
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total			
Loans classified as problem loans ⁽²⁾															
Corporate ⁽³⁾	2,580	132	2,712	3,002	22	3,024	3,645	23	3,668	2,458	82	2,540	1,901	44	1,945
Consumer ⁽⁴⁾	417		417	587	1	588	636		636	599	6	605	487	4	492
Sub-total	2,997	132	3,129	3,589	23	3,612	4,281	23	4,304	3,057	88	3,145	2,388	48	2,437
Accruing loans which are contractually past due 90 days or more as to principal or interest ⁽²⁾															
Corporate ⁽³⁾	26	10	36	11		11				2		2			
Consumer ⁽⁴⁾	5		5	4		4									
Sub-total	31	10	41	15		15				2		2			
Total	3,028	142	3,170	3,604	23	3,627	4,281	23	4,304	3,059	88	3,147	2,388	48	2,437

(1) The amounts as of December 31, 2013 exclude certain former subsidiaries classified as a disposal group held for distribution or sale.

(2)

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Not including due from banks and other receivables, and prior to deducting allowance for credit losses and present value discount or reflecting deferred origination costs.

- (3) Including loans made to banks and the Korean government and government-owned agencies.
- (4) Includes credit card balances of 23 billion, 19 billion, 127 billion, 132 billion and 144 billion as of December 31, 2011, 2012, 2013, 2014 and 2015, respectively.

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The following table shows, as of the dates indicated, the amount of problem loans, potential problem loans and non-performing loans:

	2013 ⁽¹⁾	As of December 31, 2014 (in billions of Won)	2015
Problem loans	4,304	3,145	2,437
Potential problem loans	2,240	2,029	1,603
Non-performing loans	4,996	3,818	2,909

⁽¹⁾ The amounts as of December 31, 2013 exclude certain former subsidiaries classified as a disposal group held for distribution or sale.

Loan Aging Schedule

The following table shows our loan aging schedule (excluding accrued interest) as of the dates indicated. In line with industry practice, we have restructured a portion of our delinquent credit card balances as loans.

	As of December 31, 2015											
	Normal		Past due by 1 month or less		Past due by 1-3 months		Past due by 3-6 months		Past due by more than 6 months		Total	
	Amount	%	Amount past due	%	Amount past due	%	Amount past due	%	Amount past due	%	Amount	%
Domestic												
Corporate ⁽¹⁾												
Commercial and industrial	91,443	40.3%	158	0.1%	154	0.1%	534	0.2%	513	0.3%	92,802	41.0%
Lease financing		0.0		0.0		0.0		0.0		0.0		0.0
Trade financing	11,405	5.0	8	0.0	10	0.0	9	0.0	14	0.0	11,446	5.0
Other commercial	12,135	5.3	7	0.0	7	0.0	18	0.0	62	0.0	12,229	5.3
Total corporate	114,983	50.6	173	0.1	171	0.1	561	0.2	589	0.3	116,477	51.3
Consumer												
General purpose household	26,679	11.8	143	0.1	38	0.0	25	0.0	86	0.0	26,971	11.8
Mortgages	40,337	17.8	188	0.1	33	0.0	16	0.0	24	0.0	40,598	17.9
Home equity	24,391	10.7	130	0.1	35	0.0	23	0.0	78	0.0	24,657	10.8
Total consumer	91,407	40.3	461	0.3	106	0.0	64	0.0	188	0.0	92,226	40.5
Credit cards	5,899	2.6	103	0.0	50	0.0	47	0.0		0.0	6,099	2.6
Total domestic	212,289	93.5	737	0.3	327	0.1	672	0.3	777	0.3	214,802	94.6
Foreign												
Corporate ⁽²⁾												
Commercial and industrial	9,484	4.3	7	0.0	3	0.0	5	0.0	19	0.0	9,518	4.3
Lease financing		0.0		0.0		0.0		0.0		0.0		0.0
Trade financing	1,419	0.6		0.0		0.0	1	0.0	1	0.0	1,421	0.6
Other commercial	192	0.1		0.0		0.0		0.0	14	0.0	206	0.1
Total corporate	11,095	5.0	7	0.0	3	0.0	6	0.0	34	0.0	11,145	5.0
Consumer	1,218	0.5	1	0.0	1	0.0		0.0	2	0.0	1,222	0.5
Total foreign	12,313	5.5	8	0.0	4	0.0	6	0.0	36	0.0	12,367	5.5
Total loans ⁽³⁾	224,602	98.9%	745	0.3%	331	0.1%	678	0.3%	813	0.3%	227,169	100.0%

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- (1) Including loans made to banks and the Korean government and government-owned agencies.
- (2) Including loans made to banks.
- (3) Not including due from banks and other receivables, and prior to deducting allowance for credit losses and present value discount or reflecting deferred origination costs.

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As of December 31, 2014

	Normal		Past due by 1 month or less		Past due by 1-3 months		Past due by 3-6 months		Past due by more than 6 months		Total	
	(in billions of Won, except percentages)											
	Amount	%	Amount past due	%	Amount past due	%	Amount past due	%	Amount past due	%	Amount	%
Domestic												
Corporate ⁽¹⁾												
Commercial and industrial	88,297	42.7%	188	0.1%	195	0.1%	250	0.1%	480	0.2%	89,410	43.2%
Lease financing		0.0		0.0		0.0		0.0		0.0		0.0
Trade financing	11,889	5.7	9	0.0	6	0.0	14	0.0	19	0.0	11,937	5.7
Other commercial	11,132	5.4	9	0.0	98	0.0	107	0.1	94	0.0	11,440	5.5
Total corporate	111,318	53.8	206	0.1	299	0.1	371	0.2	593	0.2	112,787	54.4
Consumer												
General purpose household	24,624	11.9	227	0.1	44	0.0	40	0.0	135	0.1	25,071	12.1
Mortgages	28,706	13.9	202	0.1	31	0.0	20	0.0	29	0.0	28,988	14.0
Home equity	24,890	12.0	230	0.1	44	0.0	40	0.0	136	0.1	25,339	12.2
Total consumer	78,220	37.8	659	0.3	119	0.1	100	0.0	300	0.2	79,398	38.3
Credit cards	4,916	2.4	113	0.1	39	0.0	46	0.0		0.0	5,114	2.5
Total domestic	194,454	94.0	978	0.5	457	0.2	517	0.2	893	0.4	197,299	95.3
Foreign												
Corporate ⁽²⁾												
Commercial and industrial	7,939	3.9	23	0.0	4	0.0	4	0.0	19	0.0	7,989	3.9
Lease financing		0.0		0.0		0.0		0.0		0.0		0.0
Trade financing	721	0.3		0.0	1	0.0	1	0.0	2	0.0	725	0.3
Other commercial	245	0.1		0.0		0.0		0.0		0.0	245	0.1
Total corporate	8,905	4.3	23	0.0	5	0.0	5	0.0	21	0.0	8,959	4.3
Consumer	801	0.4	3	0.0	3	0.0	3	0.0	9	0.0	819	0.4
Total foreign	9,706	4.7	26	0.0	8	0.0	8	0.0	30	0.0	9,778	4.7
Total loans ⁽³⁾	204,160	98.7%	1,004	0.5%	465	0.2%	525	0.2%	923	0.4%	207,077	100.0%

(1) Including loans made to banks and the Korean government and government-owned agencies.

(2) Including loans made to banks.

(3) Not including due from banks and other receivables, and prior to deducting allowance for credit losses and present value discount or reflecting deferred origination costs.

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	As of December 31, 2013 ⁽¹⁾											
	Normal		Past due by 1 month or less		Past due by 1-3 months		Past due by 3-6 months		Past due by more than 6 months		Total	
	(in billions of Won, except percentages)											
	Amount	%	Amount past due	%	Amount past due	%	Amount past due	%	Amount past due	%	Amount	%
Domestic												
Corporate ⁽²⁾												
Commercial and industrial	89,562	46.2%	299	0.2%	293	0.2%	231	0.2%	673	0.3%	91,058	47.0%
Lease financing		0.0		0.0		0.0		0.0		0.0		0.0
Trade financing	10,239	5.3	12	0.0	13	0.0	11	0.0	21	0.0	10,296	5.3
Other commercial	9,481	4.9	27	0.0	76	0.0	69	0.0	37	0.0	9,690	4.9
Total corporate	109,282	56.4	338	0.2	382	0.2	311	0.2	731	0.3	111,044	57.3
Consumer												
General purpose household	24,570	12.7	244	0.1	54	0.0	81	0.0	145	0.1	25,094	12.9
Mortgages	19,759	10.2	123	0.1	20	0.0	28	0.0	22	0.0	19,952	10.3
Home equity	25,193	13.0	251	0.2	56	0.0	83	0.0	149	0.1	25,732	13.2
Total consumer	69,522	35.9	618	0.4	130	0.1	192	0.1	316	0.2	70,778	36.6
Credit cards	4,030	2.1	103	0.1	36	0.1	40	0.0		0.0	4,209	2.2
Total domestic	182,834	94.4	1,059	0.5	548	0.3	543	0.3	1,047	0.5	186,031	96.0
Foreign												
Corporate ⁽³⁾												
Commercial and industrial	6,918	3.6	6	0.0	16	0.0	15	0.0	6	0.0	6,961	3.6
Lease financing		0.0		0.0		0.0		0.0		0.0		0.0
Trade financing	319	0.2		0.0		0.0		0.0		0.0	319	0.2
Other commercial	192	0.1		0.0		0.0		0.0		0.0	192	0.1
Total corporate	7,429	3.9	6	0.0	16	0.0	15	0.0	6	0.0	7,472	3.9
Consumer	259	0.1	1	0.0		0.0	1	0.0	2	0.0	263	0.1
Total foreign	7,688	4.0	7	0.0	16	0.0	16	0.0	8	0.0	7,735	4.0
Total loans ⁽⁴⁾	190,522	98.3%	1,066	0.6%	564	0.3%	559	0.3%	1,055	0.5%	193,766	100.0%

(1) The amounts as of December 31, 2013 exclude certain former subsidiaries classified as a disposal group held for distribution or sale.

(2) Including loans made to banks and the Korean government and government-owned agencies.

(3) Including loans made to banks.

(4) Not including due from banks and other receivables, and prior to deducting allowance for credit losses and present value discount or reflecting deferred origination costs.

Credit Exposures to Companies in Workout, Restructuring or Rehabilitation

Workout is a voluntary procedure through which we, together with the borrower and other creditors, seek to restore the borrower's financial stability and viability. Previously, workouts were regulated under a series of Corporate Restructuring Promotion Acts, which last expired on December 31, 2015. In March 2016, the National Assembly of Korea adopted a new Corporate Restructuring Promotion Act, which is scheduled to expire on June 30, 2018. Under the new Corporate Restructuring Promotion Act, creditors of a financially troubled borrower may participate in a creditors' committee, which is authorized to prohibit such creditors from exercising their rights against the borrower, commence workout procedures and approve or make revisions to a reorganization plan prepared by the lead creditor bank, the borrower and external experts. The composition of the creditors' committee is determined at the initial meeting of the committee by the approval of creditors holding not less than 75% of the borrower's total outstanding debt held by creditors who were notified of the initial meeting of the committee. Although creditors that are not financial institutions or hold less than 1% of the total outstanding debt of the borrower need not be notified of the initial meeting of the creditors' committee, if such creditors wish to participate, they may not be excluded. Any decision of the creditors' committee requires the approval of creditors holding not less than 75% of the total outstanding debt of the borrower. However, if a single creditor holds 75% or more of the borrower's total outstanding debt held by the creditors comprising the creditors' committee, any decision of the creditors' committee requires

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the approval of not less than 40% of the total number of creditors (including such single creditor) comprising the committee. An additional approval of creditors holding not less than 75% of the secured debt is required with respect to the borrower's debt restructuring. Once approved, any decision made by the creditors' committee is binding on all creditors of the

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borrower, with the exception of those creditors that were excluded by a resolution of the committee at its initial meeting and those who exercised their right to request that their claims be purchased. Creditors that voted against commencement of workout, approval or revision of the reorganization plan, debt restructuring, granting of new credit, extension of the joint management process or other resolutions of the committee have the right to request the creditors that voted in favor of such matters to purchase their claims at a mutually agreed price. In the event that the parties are not able to agree on the terms of purchase, a coordination committee consisting of experts would determine the terms. The creditors that oppose a decision made by the coordination committee may request a court to change such decision.

Korean law also provides for corporate rehabilitation proceedings, which are court-supervised procedures to rehabilitate an insolvent company. Under these procedures, a restructuring plan is adopted at a meeting of interested parties, including creditors of the company. That restructuring plan is subject to court approval.

A portion of our loans to and debt securities of corporate customers are currently in workout, restructuring or rehabilitation. As of December 31, 2015, 1,263 billion, or 0.5%, of our total loans and debt securities were in workout, restructuring or rehabilitation. This included 763 billion of loans to and debt securities of large corporate borrowers in workout, restructuring or rehabilitation and 496 billion of loans to and debt securities of small- and medium-sized enterprises in workout, restructuring or rehabilitation, which represented 0.3% and 0.2% of our total loans and debt securities, respectively. Our Corporate Restoration Department manages our workout, restructured and rehabilitated loans. Upon approval of a workout, restructuring or rehabilitation plan, a credit exposure is initially classified as precautionary or lower and thereafter cannot be classified higher than precautionary with limited exceptions. If a corporate borrower is in workout, restructuring or rehabilitation, we take the status of the borrower into account in valuing our loans to and collateral from that borrower for purposes of establishing our allowance for credit losses.

The following table shows, as of December 31, 2015, our ten largest exposures that were in workout, restructuring or rehabilitation:

Company (Credit Rating) ⁽¹⁾	Loans						Collateral ⁽²⁾	Amounts Classified as Substandard or Below ⁽³⁾	Allowance for Credit Loss
	Won Currency	Foreign Currency	Equity Securities	Debt Securities	Guarantees and Acceptances (in billions of Won)	Total Exposures			
Sambu Construction (D)	184					184	184	184	58
Orient Shipyard (D)					115	115		115	15
Lakehillssuncheon (D)	71					71		71	30
Dongmoon Construction (B-)	69					69	38	31	9
Posco Plantec (D)	68					68	22	68	45
Goyang Country Club (B+)	54					54	41		2
Dongbu Steel (D)	50	1	1		1	53	31	52	22
Dongbu Metal (D)	14	31			2	47		47	13
Samho International (B+)	43					43			6
Solar Park Korea (D)	40					40	11	37	23
Total	593	32	1		118	744	327	605	223

(1) Credit rating as of December 31, 2015, from one of the following Korean credit agencies: Korea Information Service Inc., National Information & Credit Evaluation, Inc. or Korea Ratings.

(2) The value of collateral is appraised based on future cash flow and observable market price.

(3) Classification is based on the Financial Services Commission's asset classification criteria.

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As of December 31, 2015, we had 1,603 billion of corporate loans in respect of which we had serious doubt as to the borrower's ability to comply with repayment terms in the near future. Potential problem loans are precautionary loans that we determine, through our internal loan review process, require close management due to the borrower's financial condition, our forecast for the industry in which it operates or as a result of other developments relating to its business. The following table shows changes in our potential problem loans between December 31, 2014 and 2015:

	Amount (in billions of Won)
Balance of potential problem loans at December 31, 2014	2,029
Increase in the balance of potential problem loans to borrowers who became newly classified as borrowers with potential problem loans in 2015	868
Decrease in the balance of potential problem loans to borrowers to whom we had potential problem loans outstanding at December 31, 2014 and have non-performing loans outstanding at December 31, 2015	(203)
Decrease in the balance of potential problem loans to borrowers to whom we had potential problem loans outstanding at December 31, 2014 but no longer have any loans outstanding at December 31, 2015	(525)
Decrease in the balance of potential problem loans to borrowers to whom we had potential problem loans outstanding at December 31, 2014 but have loans outstanding classified as normal at December 31, 2015	(344)
Net decrease in the balance of potential problem loans to existing borrowers to whom we had potential problems loans outstanding at December 31, 2015	(222)
Balance at December 31, 2015	1,603

Non-Performing Loans

Non-performing loans include commercial and consumer loans which are past due by 90 days or more. In addition, non-performing loans include those loans that, even if they are not past due, are classified as substandard, doubtful or estimated loss based on the Financial Services Commission's asset classification criteria. Moreover, when a consumer loan borrower has any loans that are classified as substandard, doubtful or estimated loss under such criteria, all loans to such borrower are classified as non-performing loans. See Loan Classifications above. The following table shows, as of the dates indicated, certain details of our total non-performing loan portfolio:

	2011	2012	As of December 31, 2013⁽¹⁾	2014	2015
	(in billions of Won, except percentages)				
Total non-performing loans	3,780 ⁽²⁾	3,766 ⁽³⁾	4,996 ⁽⁴⁾	3,818 ⁽⁵⁾	2,909 ⁽⁶⁾
As a percentage of total loans	1.78%	1.70%	2.58%	1.84%	1.28%

(1) The amounts as of December 31, 2013 exclude certain former subsidiaries classified as a disposal group held for distribution or sale.

(2) Excludes 43 billion of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary.

(3) Excludes 59 billion of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary.

(4) Excludes 62 billion of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary.

(5) Excludes 65 billion of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary.

(6) Excludes 73 billion of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary.

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The above amounts do not include loans classified as substandard or below that we sold to Korea Asset Management Corporation, or KAMCO, United Asset Management Corp., or UAMCO, or to certain structured companies. See Sales of Non-Performing Loans.

We have also issued securities backed by non-performing loans and other assets. Some of these transactions involved transfers of loans through securitizations where control of the loans has not been surrendered and, therefore, are not treated as sale transactions. Instead, the assets remain on our balance sheet with the securitization proceeds treated as part of borrowings. These assets are included in the table above.

The following table sets forth, as of the dates indicated, our total non-performing loans by type of loan:

	2011		2012		As of December 31, 2013 ⁽¹⁾		2014		2015	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(in billions of Won, except percentages)										
Domestic										
Corporate										
Commercial and industrial	2,846	75.3%	2,652	70.4%	3,783	75.7%	2,751	72.1%	2,098	72.1%
Lease financing	6	0.1	6	0.2						
Trade financing	98	2.6	183	4.9	343	6.9	160	4.2	199	6.9
Other commercial	281	7.4	377	10.0	313	6.3	300	7.8	142	4.9
Total corporate	3,231	85.4	3,218	85.5	4,439	88.9	3,211	84.1	2,439	83.9
Consumer										
General purpose household ⁽²⁾	378	10.0	411	10.9	418	8.4	426	11.1	283	9.7
Mortgage	18	0.5	26	0.7	33	0.6	45	1.2	46	1.6
Total consumer	396	10.5	437	11.6	451	9.0	471	12.3	329	11.3
Credit cards	63	1.7	65	1.7	56	1.1	65	1.7	68	2.3
Total domestic	3,690	97.6	3,720	98.8	4,946	99.0	3,747	98.1	2,836	97.5
Foreign										
Corporate										
Commercial and industrial	90	2.4	42	1.1	47	0.9	51	1.3	41	1.4
Lease financing										
Trade financing							3	0.1	2	0.1
Other commercial									14	0.5
Total corporate	90	2.4	42	1.1	47	0.9	54	1.4	57	2.0
Consumer			4	0.1	3	0.1	17	0.4	16	0.5
Total foreign	90	2.4	46	1.2	50	1.0	71	1.0	73	2.5
Total non-performing loans	3,780	100.0%	3,766	100.0%	4,996	100.0%	3,818	100.0%	2,909	100.0%

⁽¹⁾ The amounts as of December 31, 2013 exclude certain former subsidiaries classified as a disposal group held for distribution or sale.

⁽²⁾ Includes home equity loans.

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The following table presents an analysis of the changes in our non-performing loans for 2015:

	2015 (in billions of Won)
Non-performing loans as of January 1, 2015	3,818
Additions to non-performing loans	
Loans transferred into non-performing loans	2,629
Reductions in non-performing loans	
Loans sold	(717)
Loans modified and returned to performing loans	(589)
Loans paid down or paid off	(666)
Loans charged-off	(1,566)
Total net reductions to non-performing loans	(909)
 Total non-performing loans as of December 31, 2015	 2,909

Top 20 Non-Performing Loans. As of December 31, 2015, our 20 largest non-performing loans accounted for 54.6% of our total non-performing loan portfolio. The following table shows, as of that date, certain information regarding those loans:

	Gross principal outstanding	Allowance for credit losses (in billions of Won)	Collateral⁽¹⁾	Industry
Borrower A	213	116	116	Shipbuilding
Borrower B	196	21		Real estate
Borrower C	186	116	205	Shipbuilding
Borrower D	184	58	184	Construction
Borrower E	104	104		Manufacturing
Borrower F	71	30		Real estate
Borrower G	68	45	22	Manufacturing
Borrower H	64	51		Shipbuilding
Borrower I	61	17		Financial and insurance
Borrower J	56		56	Real estate
Borrower K	52	23	31	Manufacturing
Borrower L	44	13		Manufacturing
Borrower M	42	29		Shipbuilding
Borrower N	42			Real estate
Borrower O	37	23	11	Retail and wholesale
Borrower P	37	36		Shipbuilding
Borrower Q	35		32	Manufacturing
Borrower R	34	9		Financial and insurance
Borrower S	32	11		Real estate
Borrower T	31	9	38	Construction
Total	1,589	711	695	

⁽¹⁾ The value of collateral is appraised based on future cash flow and observable market price.
Non-Performing Loans and Impaired Loans

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The term "non-performing loan" is used for our asset quality management in accordance with the Banking Industry Supervision Regulations of Korea, whereas the term "impaired loan" is used for financial reporting purposes based on our internal accounting policies in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*.

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Major differences between non-performing loans and impaired loans are as follows:

Item	Non-performing loans	Impaired loans
Relevant regulation or accounting principle	Banking Industry Supervision Regulations of Korea (loans classified as substandard, doubtful or estimated loss)	Our internal policy based on IAS 39
Scope	Loans	Loans and receivables (including due from banks and other receivables)
Purchased impaired loans	Not included	Included
Loans classified as precautionary based on the Financial Services Commission's asset classification criteria	Not included	Loans classified as precautionary, for which the borrower has a capital deficit or its auditor's opinion on its financial statements is modified or qualified, are included

The following table shows, as of the dates indicated, the amounts of impaired loans and non-performing loans:

	2013 ⁽¹⁾	As of December 31, 2014 (in billions of Won)	2015
Impaired loans	5,517	4,742	3,677
Precautionary loans meeting the definition of impaired loans ⁽²⁾	169	300	81
Others	5,348	4,442	3,596
Non-performing loans	4,996	3,818	2,909

(1) The amounts as of December 31, 2013 exclude certain former subsidiaries classified as a disposal group held for distribution or sale.

(2) Includes loans that are individually significant where the borrower has a capital deficit or its external auditor has expressed a qualified opinion or disclaimed its opinion on the borrower's financial statements.

Non-Performing Loan Strategy

One of our goals is to improve our asset quality, in part by reducing our non-performing loans. We have standardized our credit risk management systems to reduce our risks relating to future non-performing loans. Our credit rating systems are designed to prevent the extension of new loans to high-risk borrowers as determined by their credit rating. Our credit monitoring systems are designed to bring any sudden increase in a borrower's credit risk to our attention to enable close monitoring of such loans. See Item 11. Quantitative and Qualitative Disclosures about Market Risk - Credit Risk Management.

Our Credit Management and Collection Department and the Corporate Restoration Department generally oversee the process for resolving non-performing loans transferred to them by other business units. We believe that by centralizing the management of our non-performing loans, we can become more effective in dealing with the issues relating to these loans by pooling institutional knowledge and creating a more specialized workforce.

When a loan becomes non-performing, we will begin a due diligence review of the borrower's assets, send a notice demanding payment or stating that we will take legal action, and prepare for legal action. At the same time, we initiate our non-performing loan management process, which begins with:

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identifying loans subject to a proposed sale by assessing the estimated losses from such sale based on the estimated recovery value of collateral, if any, for such non-performing loans;

identifying loans subject to charge-off based on the estimated recovery value of collateral, if any, for such non-performing loans and the estimated rate of recovery of unsecured loans; and

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on a limited basis, identifying corporate loans subject to normalization efforts based on the cash-flow situation of the borrower. Once we have confirmed the details of a non-performing loan, we make efforts to recover amounts owed to us. Methods for resolving non-performing loans include the following:

commencing collection proceedings;

commencing legal actions to seize collateral;

writing off these amounts, transferring them to specific subsidiaries in charge of collections and authorizing those subsidiaries to recover what they can with respect to these amounts or to sell these loans to third parties; and

with respect to large corporations, commencing or participating in voluntary workouts or restructurings mandated by Korean courts. In addition to making efforts to collect on our non-performing loans, we also undertake measures to reduce the overall level of our non-performing loans. These measures include:

selling our non-performing loans to structured companies established in connection with our joint ventures with several financial institutions; and

selling our non-performing loans to third parties, including KAMCO and United Asset Management Corp.

See Sales of Non-Performing Loans. We generally expect to suffer a partial loss on loans that we sell or securitize, to the extent such sales and securitizations are recognized as such under IFRS.

Foreclosure and Collateral. We generally foreclose on mortgages or exercise our security interests in respect of other collateral if a collateralized obligation becomes overdue for more than three months. At that time, we will petition a court to foreclose on collateral and to sell that collateral through a court-supervised auction. Under Korean law, that petition must be filed with a court that has jurisdiction over the mortgaged property, and must be filed together with a copy of the mortgage agreement and an extract of the court registry regarding the subject property. The court will then issue an order to commence the foreclosure auction, which will be registered in the court registry of the subject property. If no bidder bids at least the minimum amount set by the court on the first auction date, the court will set another date for a subsequent auction approximately one month later. Each time a new auction date is set, the minimum auction price will be lowered by approximately 20%. Unlike laws relating to foreclosure in the United States, Korean law does not provide for non-judicial foreclosure. During 2013, 2014 and 2015, we foreclosed on collateral we obtained with respect to loan balances representing approximately 0.4% (excluding discontinued operations), 0.3% (excluding discontinued operations) and 0.3%, respectively, of our average interest-bearing loan balances in each of those periods.

Korean financial institutions, including us, maintain general policies to assess a potential customer's eligibility for loans based on that entity's credit quality, rather than requiring a particular level of collateral, especially in the case of large corporate borrowers. As a result, the ratio of our collateral to non-performing corporate loans is relatively low when compared with our total exposures. For secured consumer loans, however, we generally impose limits on loan amounts based on the collateral we receive. See Consumer Banking Lending Activities.

We reflect this collateral level when we estimate the future cash flow for our loans, which we calculate using a discounted cash flow method. With respect to loans to borrowers that we do not believe will be going concerns in the future, the lower collateral ratio has a direct effect on cash flow estimates and results in a higher level of allowances. With respect to loans to borrowers that we expect to be going concerns, the lower collateral ratio has an effect on cash flow estimates but we also consider other factors, including future operating income and future asset disposals and restructuring, in determining allowance levels. Accordingly, for these latter borrowers, the effect of lower collateral levels on allowances is mitigated by other characteristics of the borrower, and that lower collateral level will not necessarily result in a higher level of allowances.

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The overall asset quality of our loan portfolio is affected by sales of non-performing loans. These sales have been made primarily to KAMCO, United Asset Management Corp. and various structured companies as further described below.

The following table sets forth information regarding our sales of loans for the periods indicated:

Purchaser	2013 ⁽¹⁾			Year Ended December 31, 2014 ⁽¹⁾			2015		
	Net Carrying Amount ⁽²⁾	Sale Price	Gain (Loss)	Net Carrying Amount ⁽²⁾	Sale Price	Gain (Loss)	Net Carrying Amount ⁽²⁾	Sale Price	Gain (Loss)
	(in billions of Won)								
KAMCO	26	26							
Structured companies	249	257	8	296	309	13	162	193	31
UAMCO	305	338	33	212	269	57	247	303	56
Others		1	1	136	151	15	167	140	(27)
Total	580	622	42	644	729	85	576	636	60

⁽¹⁾ The amounts for the years ended December 31, 2013 and 2014 reflect the classification of certain former subsidiaries as discontinued operations.

⁽²⁾ Net carrying amount represents the net value of non-performing loans after deduction of allowance for credit losses on such basis.

Korea Asset Management Corporation. The Korean government has authorized KAMCO to purchase certain assets (primarily loans classified as standard or below) from Korean financial institutions at discounted prices. In addition, from March 2009 to December 2014, the Korean government provided support to financial institutions and companies in the project finance industry by purchasing, through KAMCO, up to 4.7 trillion of project finance loans designated by the Financial Supervisory Service as endangered.

We derecognized all of the non-performing loans that had been transferred to KAMCO in 2013, as we transferred substantially all of the risks and rewards of the non-performing loans to KAMCO in accordance with IAS 39, Financial Instruments Recognition and Measurement. No non-performing loans were transferred to KAMCO in 2014 or 2015.

United Asset Management Corp. United Asset Management Corp., or UAMCO, was established in late 2009 in the wake of the global financial crisis by six major commercial banks in Korea, including us, to purchase, sell and securitize non-performing loans and to engage in corporate restructuring activities, among other things. We have committed to contribute 150 billion of capital to UAMCO, of which 73 billion has been contributed to date, and have also provided a credit line of 67 billion to UAMCO, under which no amounts have been drawn down to date. We and another bank each hold a 15% equity interest in UAMCO, while four other banks each hold a 17.5% equity interest. The other banks have also provided credit lines to UAMCO pro rata to their ownership interests. Therefore, we have neither control nor significant influence over UAMCO.

Pursuant to a memorandum of understanding among the Financial Supervisory Service and seven banks, including us, a private equity fund was established in June 2011 to acquire approximately 1.2 trillion of non-performing bank loans to construction companies in workout, restructuring or rehabilitation. The general partner of the fund is UAMCO and the limited partners consist of the seven banks and other investors. The fund purchases non-performing bank loans at market price and the funds required to purchase such loans are contributed or lent by the same banks that sell such loans to the fund. In June 2011, we agreed to make a capital commitment of 148 billion and provide a 109 billion revolving loan facility to the fund. From June to December 2011, we contributed the entire amount of our capital commitment to the fund in connection with its purchase of 443 billion of non-performing loans from us. In 2012, we made an additional capital contribution of 44 billion to the fund in connection with its purchase of 44 billion of non-performing loans from us. We have determined that we have significant influence over the private equity fund.

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Under the terms of our sale of loans to UAMCO and the private equity fund, we are not required to repurchase any such loans, provide post-sale price adjustments or otherwise continue to be involved with such loans subsequent to their sale in any material respect. In addition, UAMCO and the private equity fund have the practical ability to sell non-performing loans in their entirety to unrelated third parties and are able to exercise such ability unilaterally without the need to impose additional restrictions, notwithstanding our ownership interest. Therefore, we believe we have not retained control over the transferred assets, and non-performing loans sold to UAMCO in 2013, 2014 and 2015 were derecognized in accordance with IAS 39, Financial Instruments Recognition and Measurement.

Structured companies. We transfer non-performing loans to structured companies, of which we do not have control over the significant operations. Most of the structured companies are investment funds that specialize in acquiring non-performing loans from Korean financial institutions, including us. In addition, we have not provided any financial guarantees or credit facilities nor invested in any such investment funds. As such, we believe that we have transferred substantially all of the risks and rewards of the relevant non-performing loans to the structured companies and have derecognized all non-performing loans that were transferred to structured companies in 2013, 2014 and 2015.

Others. In addition to sales of loans to KAMCO, UAMCO and various structured companies, we sell non-performing loans to various private investment companies. Pursuant to the terms of such sales to private investment companies, we are not required to repurchase any such loans, provide post-sale price adjustments or otherwise continue to be involved with such loans subsequent to their sale in any material respect.

Allocation and Analysis of Allowances for Credit Losses

The following table presents, as of the dates indicated, the allocation of our allowances for credit losses by loan type:

	2011		2012 ⁽¹⁾		As of December 31, 2013 ⁽¹⁾⁽²⁾		2014 ⁽¹⁾		2015 ⁽¹⁾	
	(in billions of Won, except percentages)									
Domestic										
Corporate										
Commercial and industrial	2,690	71.6%	2,543	72.6%	2,336	69.9%	1,781	68.3%	1,297	63.2%
Lease financing	5	0.1	4	0.1						
Trade financing	187	5.0	205	5.8	313	9.4	151	5.8	217	10.6
Other commercial	348	9.3	298	7.0	229	6.9	157	6.0	135	6.6
Total corporate	3,230	86.0	3,050	85.5	2,878	86.2	2,089	80.1	1,649	80.4
Consumer										
General purpose household ⁽³⁾	249	6.6	307	8.6	284	8.5	301	11.5	184	9.0
Mortgage	8	0.2	20	0.6	15	0.4	19	0.7	11	0.5
Total consumer	257	6.8	327	9.2	299	8.9	320	12.2	195	9.5
Credit cards	132	3.5	128	3.6	106	3.2	129	4.9	146	7.1
Total domestic	3,619	96.3	3,505	98.3	3,283	98.3	2,538	97.2	1,990	97.0
Foreign										
Corporate										
Commercial and industrial	139	3.7	57	1.6	53	1.7	56	2.2	44	2.2
Trade financing			1	0.0	1		4	0.2	4	0.2
Other commercial	1	0.0	2	0.1					3	0.1
Total corporate	140	3.7	60	1.7	54	1.7	60	2.4	51	2.5
Consumer										
							11	0.4	10	0.5
Total foreign	140	3.7	60	1.7	54	1.7	71	2.8	61	3.0

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Total allowance for credit losses ⁽⁴⁾	3,759	100.0%	3,565	100.0%	3,337	100.0%	2,609	100.0%	2,051	100.0%
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(1) The amounts as of December 31, 2013, 2014 and 2015 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which became effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts as of December 31, 2012 (but not as of December 31, 2011) were restated to retroactively apply such change.

(2) The amounts as of December 31, 2013 exclude certain former subsidiaries classified as a disposal group held for distribution or sale.

(3) Includes home equity loans.

(4) Not including due from banks and other receivables

The following table presents an analysis of the changes in our allowances for credit losses for each of the years indicated, in each case including discontinued operations:

	2011	2012 ⁽¹⁾	Year ended December 31, 2013 ⁽¹⁾ 2014 ⁽¹⁾		2015 ⁽¹⁾
	(in billions of Won)				
Balance at the beginning of the period	4,718	3,759	3,565	3,337	2,609
Bad debt expenses for the period	2,085	2,107	2,557	1,076	1,029
Increase on repurchases of non-performing loans	4				
Gross charge-offs					
Domestic					
Corporate					
Commercial and industrial	(1,577)	(1,545)	(1,462)	(1,037)	(1,016)
Lease financing	(4)	(10)			
Trade financing	(238)	(108)	(108)	(62)	(82)
Other commercial	(304)	(117)	(47)	(68)	(30)
Total corporate	(2,123)	(1,780)	(1,617)	(1,167)	(1,128)
Consumer					
General purpose household ⁽²⁾	(75)	(188)	(179)	(113)	(237)
Mortgage	(14)	(2)	(1)	(2)	(3)
Total consumer	(89)	(190)	(180)	(115)	(240)
Credit cards	(142)	(186)	(172)	(163)	(198)
Total domestic	(2,354)	(2,156)	(1,969)	(1,445)	(1,566)
Foreign	(15)	(60)	(8)	(7)	(11)
Allowances relating to loans sold	(538)	(163)	(161)	(150)	(141)
Total gross charge-offs	(2,907)	(2,379)	(2,138)	(1,602)	(1,718)
Recoveries:					
Domestic					
Corporate					
Commercial and industrial	33	152	140	53	158
Lease financing	1	1			
Trade financing	10	17	14	6	19
Other commercial	10	14	13	6	20
Total corporate	54	184	167	65	197
Consumer					
General purpose household ⁽²⁾	8	46	34	6	16
Mortgage	9	8	8	3	13
Total consumer	17	54	42	9	29
Credit cards	33	34	26	28	34
Total domestic	104	272	235	102	260
Foreign		3	1	1	1

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Total recoveries	104	275	236	103	261
Net charge-offs	(2,803)	(2,104)	(1,902)	(1,499)	(1,457)
Foreign exchange translation effects	34	(2)	(1)	1	
Others ⁽³⁾	(279)	(195)	(225)	(306)	(130)
Adjustment from discontinued operations			(657)		
Balance at the end of the period	3,759	3,565	3,337	2,609	2,051
Ratio of net charge-offs during the period to average loans outstanding during the period	1.3%	1.2%	1.0%	0.8%	0.7%

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- (1) The amounts for 2013, 2014 and 2015 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which became effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts for 2012 (but not for 2011) were restated to retroactively apply such change.
- (2) Includes home equity loans.
- (3) Includes unwinding of discount.

Loan Charge-Offs

The credit approval process we have implemented includes assessing credit risk before extending loans and monitoring outstanding loans, in order to minimize loans that must be charged off. To the extent charge-offs are required, we follow charge-off policies aimed at maximizing accounting transparency, minimizing any waste of resources in managing loans which have a low probability of being collected and reducing our non-performing loan ratio.

Loans To Be Charged Off. We charge off loans that are deemed to be uncollectible by virtue of their falling under any of the following categories:

loans for which collection is not foreseeable due to insolvency, bankruptcy, compulsory execution, disorganization, dissolution or the shutting down of the business of the debtor;

loans for which collection is not foreseeable due to the death or disappearance of the debtor;

loans for which expenses of collection exceed the collectable amount;

loans on which collection is not possible through legal or any other means;

payments in arrears in respect of credit cards that have been overdue for more than four payment cycles and have been classified as estimated loss (excluding instances where there has been partial payment of the overdue balance, where a related balance is not overdue or where a charge off is not possible due to Korean regulations), and those that have been overdue for more than six months;

payments outstanding on corporate and consumer loans (other than credit card receivables) that have been overdue for more than 12 months, and those on unsecured consumer loans that have been overdue for more than six months; or

the portion of loans classified as estimated loss, net of any recovery from collateral, which is deemed to be uncollectible.

Procedure for Charge-off Approval. In order to charge off corporate loans, an application for a charge-off must be submitted by a branch to the Credit Management and Collection Department promptly and, in any event, within one month after the corporate loan is classified as estimated loss. The department evaluates and approves the application. Then, we must seek an approval from the Financial Supervisory Service for our charge-offs, which is typically granted. At the same time, we refer the approval of the charge-off by the Credit Management and Collection Department to our Audit Committee for its review to ensure compliance with our internal procedures for charge-offs, which include consultations with the branch submitting the charge-off application. Once we receive approval from the Financial Supervisory Service, we must also obtain approval from our senior management to charge off those loans.

With respect to unsecured consumer loans and credit card balances, we follow a different process to determine which unsecured consumer loans and credit card balances should be charged-off, based on the length of time those loans or balances are past due. We charge off unsecured consumer loans which are 12 months overdue and credit card balances which have been overdue for more than four payment cycles and have been classified as estimated loss (excluding instances where there has been partial payment of the overdue balance, where a related balance is not overdue or where a charge off is not possible due to Korean regulations).

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Treatment of Loans Charged Off. Once loans are charged off, we classify them as charged-off loans. These loans are then transferred to a wholly-owned subsidiary, Woori Credit Information, that is in charge of collections. It will attempt to recover amounts owed or to sell these loans to third parties.

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In the case of collateralized loans, our general policy is to petition a court to foreclose and sell the collateral through a court-supervised auction if a collateralized loan becomes overdue for more than three months. If a debtor still fails to repay and the court grants its approval for foreclosure, we will sell the collateral, net of expenses incurred from the auction.

Credit Rehabilitation Programs for Delinquent Consumer Borrowers

In light of the rapid increase in delinquencies in credit card and other consumer credit in recent years, and concerns regarding potential social issues posed by the growing number of individuals with bad credit, the Korean government has implemented a number of measures intended to support the rehabilitation of the credit of delinquent consumer borrowers. These measures may affect the amount and timing of our collections and recoveries on our delinquent consumer credits.

In 2002, the Financial Services Commission established the Credit Counseling and Recovery Service based upon an agreement among approximately 160 financial institutions in Korea. Upon application to the Credit Counseling and Recovery Service and approval by creditor financial institutions representing a majority of the outstanding unsecured debt and two-thirds of the outstanding secured debt, a qualified credit delinquent person with outstanding debts to two or more financial institutions in an aggregate amount not exceeding 500 million may participate in an individual work-out program designed to restructure such person's debt and rehabilitate such person's credit. The aggregate amount of our loans which became subject to such individual work-out programs in 2015 was 24 billion. In 2015, we recovered 2 billion with respect to our loans subject to such individual work-out programs.

Under the Korean Debtor Recovery and Bankruptcy Law, a qualified individual debtor with outstanding debts in an aggregate amount not exceeding threshold amounts of 500 million of unsecured debt and/or 1 billion of secured debt may restructure his or her debts through a court-supervised debt restructuring that is binding on creditors. The aggregate amount of our loans which became subject to such court-supervised debt restructuring in 2015 was 184 billion. In 2015, we recovered 25 billion with respect to our loans subject to such court-supervised debt restructuring.

In September 2008, to support consumer borrowers with low credit scores, the Financial Services Commission established the Credit Rehabilitation Fund to purchase from creditors the loans of such borrowers that are in default and to provide guarantees so that such loans may be refinanced at lower rates. The Credit Rehabilitation Fund provides support to (i) individuals with low credit scores who are in default on loans not exceeding 50 million in principal amount in the aggregate (which requirement will be waived for individuals who are basic living welfare recipients) for a period of three months or more and (ii) individuals with low credit scores ranging from category 6 to 10 who are in default on loans not exceeding 30 million in principal amount in the aggregate (which requirement will be waived for individuals who are basic living welfare recipients) and the interest rate of which is 30% or more.

In March 2009, the Financial Services Commission requested Korean banks, including us, to establish a pre-workout program, including a credit counseling and recovery service, for retail borrowers with outstanding short-term debt. The pre-workout program has been in operation since April 2009 and, following successive extensions by the Korean government, is expected to continue indefinitely. Under the pre-workout program, maturity extensions and/or interest rate adjustments are provided for retail borrowers with total loans of less than 1.5 billion (consisting of no more than 500 million of unsecured loans and 1 billion of secured loans) who are in arrears on their payments for more than 30 days but less than 90 days. The aggregate amount of our loans which became subject to the pre-workout program in 2015 was 26 billion. See Item 3D. Risk Factors Risks relating to our consumer credit portfolio We may experience increases in delinquencies in our consumer loan and credit card portfolios.

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Securities Investment Portfolio

Investment Policy

We invest in and trade Won-denominated securities and, to a lesser extent, foreign currency-denominated securities for our own account to:

maintain asset stability and diversification;

maintain adequate sources of back-up liquidity to match funding requirements; and

supplement income from core lending activities.

In making securities investments, we take into account a number of factors, including external broker analyses and internal assessments of macroeconomic trends, industry analysis, credit evaluation and trading history in determining whether to make a particular investment.

Our investments in debt securities include primarily bonds issued by government-related entities, as well as corporate bonds that have been guaranteed by banks (other than merchant banks), government-related funds or privately capitalized funds that we consider to have a low credit risk.

Our securities investments are subject to various regulations, including limitations prescribed under the Bank Act. Under these regulations, we must limit our investments in equity securities and bonds with a maturity in excess of three years (other than monetary stabilization bonds issued by the Bank of Korea and Korean government bonds) to 100% of the sum of our total Tier I and Tier II capital amount (less any capital deductions). We are also generally prohibited from acquiring more than 15% of the shares with voting rights issued by any other corporation. We and our trust accounts are prohibited from acquiring the shares of any of our major shareholders, as defined in Supervision and Regulation Principal Regulations Applicable to Banks Financial Exposure to Any Individual Customer or Major Shareholder, in excess of an amount determined by the Enforcement Decree of the Bank Act within a maximum limit of 1% of the sum of our Tier I and Tier II capital (less any capital deductions). Further information on the regulatory environment governing our investment activities is set out in Supervision and Regulation Principal Regulations Applicable to Banks Liquidity and Restrictions on Shareholdings in Other Companies.

Our investments in foreign currencies are subject to certain limits and restrictions specified in our internal guidelines relating to country exposure, a single issuer and type of security exposure, and total investments by individual business units.

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The following table sets out the book value and fair value of securities in our portfolio as of the dates indicated:

	2013 ⁽¹⁾		As of December 31, 2014		2015	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Financial assets at fair value through profit and loss						
Financial assets held for trading						
Equity securities	196	196	100	100	63	63
Beneficiary certificates	167	167	48	48	14	14
CMA securities	201	201	32	32		
Others	33	33	15	15	10	10
Debt securities						
Korean treasury and government agencies	574	574	669	669	798	798
Financial institutions	1,019	1,019	927	927	1,175	1,175
Corporate	409	409	621	621	644	644
Total Financial assets held for trading	2,599	2,599	2,412	2,412	2,704	2,704
Financial assets designated at FVTPL						
Equity-linked securities			6	6		
Debt securities	3	3			1	1
Equity securities	11	11	11	11	12	12
Total Financial assets designated at FVTPL	14	14	17	17	13	13
Available-for-sale financial assets						
Equity securities	1,616	1,616	1,421	1,421	1,338	1,338
Beneficiary certificates	3,065	3,065	3,453	3,453	1,118	1,118
Others	275	275	750	750	746	746
Debt securities						
Korean treasury and government agencies	2,681	2,681	3,172	3,172	3,559	3,559
Financial institutions	6,512	6,512	6,731	6,731	5,626	5,626
Corporate	2,434	2,434	2,827	2,827	3,888	3,888
Asset backed securities	273	273	158	158	258	258
Foreign currency bonds	229	229	299	299	638	638
Total Available-for-sale financial assets	17,085	17,085	18,811	18,811	17,171	17,171
Held-to-maturity financial assets						
Debt securities						
Korean treasury and government agencies	4,729	4,770	4,128	4,211	3,367	3,431
Financial institutions	2,156	2,163	4,390	4,427	4,138	4,164
Corporate	5,131	5,190	4,470	4,573	6,021	6,123
Foreign currency bonds	23	23	56	56	96	96
Total Held-to-maturity financial assets	12,039	12,146	13,044	13,267	13,622	13,814
Total securities	31,737	31,844	34,284	34,507	33,510	33,702

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⁽¹⁾ The amounts as of December 31, 2013 exclude certain former subsidiaries classified as a disposal group held for distribution or sale.

Table of Contents*Maturity Analysis*

The following table categorizes our debt securities by maturity and weighted average yield as of December 31, 2015:

	As of December 31, 2015									
	Within 1 year		Over 1 but Within 5 years		Over 5 but Within 10 years		Over 10 years		Total	
	(in billions of Won, except percentages)									
	Amount	Weighted Average Yield ⁽¹⁾	Amount	Weighted Average Yield ⁽¹⁾	Amount	Weighted Average Yield ⁽¹⁾	Amount	Weighted Average Yield ⁽¹⁾	Amount	Weighted Average Yield ⁽¹⁾
Financial assets at fair value through profit or loss:										
Financial assets held for trading										
Korean treasury and government agencies	60	3.00%	650	2.21%	88	2.67%	%		798	2.32%
Financial institutions	400	2.38	735	1.93	40	3.00			1,175	2.12
Corporate	321	3.69	313	3.24	10	2.50			644	3.45
Total	781	2.97%	1,698	2.28%	138	2.75%			2,617	2.51%
Financial assets designated at fair value through profit or loss										
Corporate	1	1.12%							1	1.12%
Available-for-sale financial assets										
Korean treasury and government agencies	847	3.38%	2,285	2.56%	370	2.46%	57	0.68%	3,559	2.72%
Financial institutions	3,212	2.34	2,370	2.33	44	2.63			5,626	2.34
Corporate	1,400	2.33	2,386	2.20	98	2.56	4	2.65	3,888	2.25
Asset backed securities			179	2.81	79	5.12			258	3.52
Foreign currency bonds	155	3.20	437	3.09	23	2.75	23	4.01	638	3.14
Total	5,614	2.52%	7,657	2.41%	614	3.84%	84	1.69%	13,969	2.47%
Held-to-maturity financial assets										
Korean treasury and government agencies	1,324	3.25%	2,002	3.14%	41	4.81%	%		3,367	3.20%
Financial institutions	2,996	2.19	1,142	2.64					4,138	2.31
Corporate	1,571	3.80	3,462	3.03	816	2.42	172	1.79	6,021	3.11
Foreign currency bonds	69	6.59	5	2.53	11	5.12	11	7.02	96	6.28
Total	5,960	2.90%	6,611	2.99%	868	2.56%	183	2.11%	13,622	2.91%

⁽¹⁾ The weighted average yield for the portfolio represents the yield to maturity for each individual security, weighted using its book value (which is the amortized cost in the case of held-to-maturity financial assets and the fair value in the case of available-for-sale financial assets and financial assets at fair value through profit or loss).

Risk Concentrations

As of December 31, 2015, we held the following securities of individual issuers where the aggregate book value of those securities exceeded 10% of our owners' equity at such date. As of December 31, 2015, our owners' equity was 19,188 billion.

As of December 31, 2015
Book Value Market Value

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	(in billions of Won)	
Name of issuer:		
Korean government	7,577	7,641
The Bank of Korea	6,060	6,062
Korea Housing Finance Corporation	4,101	4,121
The Korea Development Bank	2,938	2,958
Total	20,676	20,782

The Bank of Korea, Korea Housing Finance Corporation and the Korea Development Bank are Korean government entities.

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Funding

We fund our lending and other activities using various sources, both domestic and foreign. Our primary funding strategy is to maintain stable and low-cost funding. We have in the past achieved this in part by increasing the average balances of low-cost customer deposits, in particular demand deposits and savings deposits.

Customer deposits are our principal funding source. Customer deposits accounted for 81.3% of our total funding (excluding discontinued operations) as of December 31, 2013, 80.7% of our total funding as of December 31, 2014, and 82.2% of our total funding as of December 31, 2015.

We also acquire funding through the following sources:

long-term debt, including the issuance of senior and subordinated debentures and borrowings from government-affiliated funds and entities and other financial institutions;

short-term borrowings, including borrowings from our trust accounts and from the Bank of Korea, and call money; and

the issuance of hybrid securities, including bond-type hybrid securities.

As of December 31, 2015, approximately 86.4% of our total funding was denominated in Won.

Deposits

Although the majority of our deposits are short-term, it has been our experience that the majority of our depositors generally roll over their deposits at maturity, providing us with a stable source of funding. See Item 3D. Risk Factors Other risks relating to our business Our funding is highly dependent on short-term deposits, which dependence may adversely affect our operations. The following table shows the average balances of our deposits and the average costs of our deposits for the periods indicated:

	2013 ⁽¹⁾		For the year ended December 31, 2014 ⁽¹⁾		2015	
	Average Balance ⁽²⁾	Average Cost	Average Balance ⁽²⁾	Average Cost	Average Balance ⁽²⁾	Average Cost
	(in billions of Won, except percentages)					
Demand deposits	9,397	0.40%	9,312	0.45%	8,376	0.51%
Time deposits and savings deposits	140,981	2.39	153,789	2.07	168,212	1.53
Certificates of deposit	2,316	2.81	1,984	2.72	1,880	1.91
Other deposits ⁽³⁾	14,243	1.25	14,386	1.15	19,294	1.22
Average total deposits	166,937	2.19%	179,471	1.92%	197,762	1.46%

⁽¹⁾ The amounts for the years ended December 31, 2013 and 2014 reflect the classification of certain former subsidiaries as discontinued operations.

⁽²⁾ Average balances are based on daily balances for us and on quarterly balances for all of our subsidiaries and our structured companies.

⁽³⁾ Mutual installment deposits are interest-bearing deposits offered by us, which enable customers to become eligible to apply for loans secured by such deposits while they maintain an account with us. In order to qualify to apply for such a loan, a customer must make required periodic deposits to the mutual installment account for a contracted term of less than five years. Any such loan will be secured in an amount up to the holder's mutual installment deposit and will be subject to the same loan underwriting policy we apply for other secured loans. For the portion of the loan, if any, that is not secured, we apply the same loan underwriting policy as we would for other unsecured loans.

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For a description of our retail deposit products, see Business Consumer Banking Lending Activities Mortgage and Home Equity Lending and Business Consumer Banking Deposit-Taking Activities.

Table of Contents*Maturities of Certificates of Deposit and Other Time Deposits*

The following table presents, as of December 31, 2015, the remaining maturities of our time deposits, certificates of deposit and mutual installment deposits which had fixed maturities in excess of 100 million:

	Certificates of Deposit	As of December 31, 2015 Other Time Deposits (in billions of Won)	Total
Maturing within three months	1,079	22,481	23,560
After three but within six months	528	18,682	19,210
After six but within 12 months	764	39,353	40,117
After 12 months	8	5,758	5,766
Total	2,379	86,274	88,653

Long-Term Debt

The aggregate amount of contractual maturities of all long-term debt, which consist of debentures and borrowings with original maturities exceeding one year, as of December 31, 2015 was as follows:

	Amount (in billions of Won)
Due in 2016	9,695
Due in 2017	7,241
Due in 2018	5,497
Due in 2019	1,622
Due in 2020	2,484
Thereafter	4,702
Gross long-term debt	31,241
Less: discount	(30)
Total long-term debt, net	31,211

Table of Contents*Short-Term Borrowings*

The following table presents, for the periods indicated, information regarding our short-term borrowings, with an original maturity of one year or less:

	As of and for the year ended December 31,		
	2013 ⁽¹⁾	2014 ⁽¹⁾	2015
	(in billions of Won, except percentages)		
Call money			
Year-end balance	4,872	1,772	2,039
Average balance ⁽²⁾	1,570	2,117	2,531
Maximum balance	3,967	4,975	3,712
Average interest rate ⁽³⁾	0.8%	1.4%	1.3%
Year-end interest rate	0.3~3.0%	0.2~3.9%	0.3~5.2%
Borrowings from the Bank of Korea⁽⁴⁾			
Year-end balance	514	803	1,476
Average balance ⁽²⁾	693	587	1,335
Maximum balance	824	806	1,580
Average interest rate ⁽³⁾	1.0%	0.9%	0.7%
Year-end interest rate	0.6~2.4%	0.5~1.0%	0.5~0.8%
Other short-term borrowings⁽⁵⁾			
Year-end balance	5,337	7,059	7,207
Average balance ⁽²⁾	5,204	6,397	7,078
Maximum balance	6,420	7,415	7,905
Average interest rate ⁽³⁾	1.6%	1.6%	1.5%
Year-end interest rate	0.6~2.8%	0.4~4.1%	0.2~3.8%

(1) The amounts as of and for the years ended December 31, 2013 and 2014 reflect the classification of certain former subsidiaries as discontinued operations.

(2) Average balances are based on daily balances for us and on quarterly balances for all of our subsidiaries and our structured companies.

(3) Average interest rates for the year are calculated by dividing the total interest expense by the average amount borrowed.

(4) Borrowings from the Bank of Korea generally mature within one month for borrowings in Won and six months for borrowings in foreign currencies.

(5) Other short-term borrowings include borrowings from trust accounts, bills sold, borrowings in domestic and foreign currency, short-term secured borrowings and foreign currency debentures. Other short-term borrowings have maturities of 30 days to one year and are unsecured.

Supervision and Regulation*Principal Regulations Applicable to Banks**General*

The banking system in Korea is governed by the Bank Act of 1950, as amended and the Bank of Korea Act of 1950, as amended. In addition, Korean banks are subject to the regulations and supervision of the Bank of Korea, the Monetary Policy Committee of the Bank of Korea, the Financial Services Commission and its executive body, the Financial Supervisory Service.

The Bank of Korea, established in June 1950 under the Bank of Korea Act, performs the customary functions of a central bank. It seeks to contribute to the sound development of the national economy by price stabilization through establishing and implementing efficient monetary and credit policies. The Bank of Korea acts under instructions of the Monetary Policy Committee, the supreme policy-making body of the Bank of Korea.

Under the Bank of Korea Act, the Monetary Policy Committee's primary responsibilities are to formulate monetary and credit policies and to determine the operations, management and administration of the Bank of Korea.

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The Financial Services Commission, established on April 1, 1998, regulates commercial banks pursuant to the Bank Act, including establishing guidelines on capital adequacy of commercial banks, and promulgates regulations relating to supervision of banks. Furthermore, the Financial Services Commission regulates market entry into the banking business.

The Financial Supervisory Service, established on January 2, 1999, is subject to the instructions and directives of the Financial Services Commission and carries out supervision and examination of commercial banks. In particular, the Financial Supervisory Service sets requirements both for the prudent control of liquidity and for capital adequacy and establishes reporting requirements pursuant to the authority delegated to it under the Financial Services Commission regulations, pursuant to which banks are required to submit annual reports on financial performance and shareholdings, regular reports on management strategy and non-performing loans, including write-offs, and management of problem companies and plans for the settlement of bad loans.

Under the Bank Act, approval to commence a commercial banking business or a long-term financing business must be obtained from the Financial Services Commission. Commercial banking business is defined as the lending of funds acquired predominantly from the acceptance of demand deposits for a period not exceeding one year or subject to the limitation established by the Financial Services Commission, for a period between one year and three years. Long-term financing business is defined as the lending, for periods in excess of one year, of funds acquired predominantly from paid-in capital, reserves or other retained earnings, the acceptance of time deposits with maturities of at least one year, or the issuance of debentures or other bonds. A bank wishing to enter into any business other than commercial banking and long-term financing businesses, such as the trust business, must obtain approval from the Financial Services Commission. Approval to merge with any other banking institution, to liquidate, to spin off, to close a banking business or to transfer all or a part of a business must also be obtained from the Financial Services Commission.

If the Financial Services Commission deems a bank's financial condition to be unsound or if a bank fails to meet the applicable capital adequacy ratio set forth under Korean law, the Financial Services Commission may order:

Admonitions or warnings with respect to its officers;

capital increases or reductions;

assignments of contractual rights and obligations relating to financial transactions;

a suspension of performance by its officers of their duties and the appointment of receivers;

disposals of property holdings or closures of subsidiaries or branch offices or downsizing;

stock cancellations or consolidations;

mergers with other financial institutions;

acquisition of such bank by a third party; or

suspensions of a part or all of its business operations.

Capital Adequacy

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The Bank Act requires nationwide banks, such as us, to maintain a minimum paid-in capital of 100 billion and regional banks to maintain a minimum paid-in capital of 25 billion. All banks, including foreign bank branches in Korea, are also required to maintain a prescribed solvency position. A bank must also set aside in its legal reserve an amount equal to at least 10% of the net income after tax each time it pays dividends on net profits earned until its legal reserve reaches at least the aggregate amount of its paid-in capital.

Under the Detailed Regulation on the Supervision of the Banking Business, the capital of a bank is divided into two categories, Tier I and Tier II capital. Tier I capital (core capital) consists of (i) Tier I common equity capital, including paid-in capital, capital surplus and retained earnings related to common equity and accumulated other comprehensive gains and losses, and (ii) other Tier I capital, including paid-in capital and

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capital surplus related to hybrid Tier I capital instruments that, among other things, qualify as contingent capital and are subordinated to subordinated debt. Tier II capital (supplementary capital) consists of, among other things, capital and capital surplus from the issuance of Tier II capital instrument, allowances for loan losses on loans classified as normal or precautionary, subordinated debt and other capital securities which meet the standards prescribed by the governor of the Financial Supervisory Service under Article 26(2) of the Regulation on the Supervision of the Banking Business.

All banks must meet minimum ratios of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets, determined in accordance with Financial Services Commission requirements that have been formulated based on BIS standards. These requirements were adopted and became effective in 1996, and were amended effective January 1, 2008 upon the implementation by the Financial Supervisory Service of Basel II. Under such requirements, all domestic banks and foreign bank branches must meet a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets of 8.0%. Commencing in July 2013, the Financial Services Commission promulgated amended regulations implementing Basel III in Korea, pursuant to which Korean banks and bank holding companies were required to maintain a minimum ratio of Tier I common equity capital to risk-weighted assets of 3.5% and Tier I capital to risk-weighted assets of 4.5% from December 1, 2013, which minimum ratios were increased to 4.0% and 5.5%, respectively, from January 1, 2014 and increased further to 4.5% and 6.0%, respectively, from January 1, 2015. Such requirements are in addition to the pre-existing requirement for a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets of 8.0%, which remains unchanged. The amended regulations also require an additional capital conservation buffer of 0.625% on January 1, 2016, with such buffer to increase in stages each subsequent year to 2.5% by 2019, as well as a potential counter-cyclical capital buffer of up to 2.5% starting in 2016, which will be determined on a quarterly basis by the Financial Services Commission. Furthermore, we were designated as one of five domestic systemically important banks for 2016 by the Financial Services Commission and may be subject to an additional capital requirement of 0.25% in 2016, if deemed necessary, with such potential requirement to increase in stages to 1.0% by 2019.

Under the Detailed Regulation on the Supervision of the Banking Business, the following risk-weight ratios must be applied by Korean banks in respect of home mortgage loans:

- (1) for those banks which adopted a standardized approach for calculating credit risk capital requirements, a risk-weight ratio of 35% (only in the case where the loan is fully secured by a first ranking mortgage) and, with respect to high-risk home mortgage loans, 50% or 70%; and
- (2) for those banks which adopted an internal ratings-based approach for calculating credit risk capital requirements, a risk-weight ratio calculated with reference to the probability of default, loss given default and exposure at default, each as defined under the Detailed Regulation on the Supervision of the Banking Business.

Liquidity

All banks are required to ensure adequate liquidity by matching the maturities of their assets and liabilities in accordance with the Regulation on the Supervision of the Banking Business. Banks may not invest an amount exceeding 100% of their Tier I and Tier II capital (less any capital deductions) in equity securities and certain other securities with a redemption period of over three years. This stipulation does not apply to Korean government bonds, Monetary Stabilization Bonds issued by the Bank of Korea or debentures and stocks referred to in items 1 and 2, respectively, of paragraph (6) of Article 11 of the Act on the Improvement of the Structure of the Financial Industry. The Financial Services Commission uses the liquidity coverage ratio, defined as the ratio of highly liquid assets to total net cash outflows over a one-month period, as the principal liquidity risk management measure, and currently requires each Korean bank to:

maintain a liquidity coverage ratio of not less than 85% from January 1, 2016 to December 31, 2016, subject to certain exceptions, with such minimum liquidity coverage ratio to increase in increments of 5% per year to 100% by 2019;

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maintain a foreign currency liquidity ratio (defined as the ratio of foreign currency assets due within three months to foreign currency liabilities due within three months) of not less than 85%;

maintain a ratio of foreign currency assets due within seven days less foreign currency liabilities due within seven days, divided by total foreign currency assets, of not less than negative 3%;

maintain a ratio of foreign currency assets due within a month less foreign currency liabilities due within a month, divided by total foreign currency assets, of not less than negative 10%; and

submit monthly reports with respect to the maintenance of these ratios.

The Monetary Policy Committee of the Bank of Korea is empowered to fix and alter minimum reserve requirements that banks must maintain against their deposit liabilities. The current minimum reserve ratios are:

7% of average balances for Won currency demand deposits outstanding;

0% of average balances for Won currency employee asset establishment savings deposits, employee long-term savings deposits, employee house purchase savings deposits, long-term house purchase savings deposits, household long-term savings deposits and employee preferential savings deposits outstanding (with respect to employee-related deposits, only if such deposits were made before February 28, 2013); and

2% of average balances for Won currency time deposits, installment savings deposits, mutual installments, housing installments and certificates of deposit outstanding.

For foreign currency deposit liabilities, a 2% minimum reserve ratio is applied to time deposits with a maturity of one month or longer, certificates of deposit with a maturity of 30 days or longer and savings deposits with a maturity of six months or longer and a 7% minimum reserve ratio is applied to other deposits. A 1% minimum reserve ratio applies to deposits in offshore accounts, immigrant accounts and resident accounts opened by foreign exchange banks as well as foreign currency certificates of deposit held by account holders of such offshore accounts, immigrant accounts and resident accounts opened by foreign exchange banks.

Furthermore, pursuant to the Regulation on the Supervision of the Banking Business, foreign exchange agencies, including us, are required to hold foreign currency safe assets in an aggregate amount that is not less than the lower of (i) the product of (x) its total foreign currency-denominated debt maturing in one year or less multiplied by 2/12 and (y) an amount equal to one minus the lowest rollover ratio and (ii) 2% of its total foreign currency-denominated assets as shown in the balance sheet for the immediately preceding quarter. The lowest rollover ratio of a foreign exchange agency means the ratio of (A) its total debt with a maturity of one year or less (excluding overnight money) incurred in a particular month to (B) its total debt with maturity of one year or less (excluding overnight money) payable in that particular month, and is calculated by taking the lowest three month average from a period to be designated by the governor of the Financial Supervisory Service. Under the Regulation on the Supervision of the Banking Business, foreign currency-denominated debt maturing in one year or less includes financial bonds, borrowings, call monies and repurchase selling denominated in foreign currencies and such other similar debt instruments denominated in a foreign currency as designated by the governor of the Financial Supervisory Service. Foreign currency safe assets are defined as cash denominated in foreign currency, deposits denominated in foreign currency with a central bank or financial institutions rated A or above, bonds issued or guaranteed by a government or central bank rated A or above or corporate bonds issued or guaranteed by corporations rated A or above. Under the Regulation on the Supervision of the Banking Business, we are also required to maintain a minimum mid- to long-term foreign exchange funding ratio of 100%. Mid-to long term foreign exchange funding ratio refers to the ratio of (1) the total outstanding amount of foreign exchange borrowing with a maturity of more than one year to (2) the total outstanding amount of foreign exchange lending with a maturity of one year or more.

Financial Exposure to Any Individual Customer or Major Shareholder

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Under the Bank Act, subject to certain exceptions, the sum of large exposures by a bank in other words, the total sum of its credits to single individuals, juridical persons or business groups that exceed 10% of the sum

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of Tier I and Tier II capital (less any capital deductions) generally must not exceed five times the sum of Tier I and Tier II capital (less any capital deductions). In addition, subject to certain exceptions, banks generally may not extend credit (including loans, guarantees, purchases of securities (only in the nature of a credit) and any other transactions that directly or indirectly create credit risk) in excess of 20% of the sum of Tier I and Tier II capital (less any capital deductions) to a single individual or juridical person, or grant credit in excess of 25% of the sum of Tier I and Tier II capital (less any capital deductions) to a single group of companies as defined in the Monopoly Regulations and Fair Trade Act.

The Bank Act also provides for certain restrictions on extending credits to a major shareholder. A major shareholder is defined as:

a shareholder holding (together with persons who have a special relationship with that shareholder) in excess of 10%; (or 15% in the case of regional banks) in the aggregate of the bank's total issued and outstanding voting shares; or

a shareholder holding (together with persons who have a special relationship with such shareholder) in excess of 4% in the aggregate of the bank's (excluding regional banks) total issued and outstanding voting shares of a bank (excluding shares subject to the shareholding restrictions on non-financial business group companies as described below), where such shareholder is the largest shareholder or has actual control over the major business affairs of the bank through, for example, appointment and dismissal of the officers pursuant to the Enforcement Decree of the Bank Act. Non-financial business group companies primarily consist of: (i) any single shareholding group whose non-financial company assets comprise no less than 25% of its aggregate net assets; (ii) any single shareholding group whose non-financial company assets comprise no less than 2 trillion in aggregate; or (iii) any mutual fund of which any single shareholding group identified in (i) or (ii) above, owns more than 9% of the total issued and outstanding shares. See Supervision and Regulation Principal Regulations Applicable to Banks Restrictions on Bank Ownership.

Under these restrictions, banks may not extend credits to a major shareholder (together with persons who have a special relationship with that shareholder) in an amount greater than the lesser of (x) 25% of the sum of the bank's Tier I and Tier II capital (less any capital deductions) and (y) the relevant major shareholders' shareholding ratio multiplied by the sum of the bank's Tier I and Tier II capital (less any capital deductions). In addition, the total sum of credits granted to all major shareholders must not exceed 25% of the bank's Tier I and Tier II capital (less any capital deductions).

Interest Rates

Korean banks generally depend on deposits as their primary funding source. Under the Act on Registration of Credit Business and Protection of Finance Users, last amended on March 3, 2016, interest rates on loans made by registered banks in Korea may not exceed 27.9% per annum. Such restriction is scheduled to expire on December 31, 2018. Historically, interest rates on deposits and lending rates were regulated by the Monetary Policy Committee. Controls on deposit interest rates in Korea have been gradually reduced and, in February 2004, the Korean government removed restrictions on all interest rates, except for the prohibition on interest payments on current account deposits. This deregulation process has increased competition for deposits based on interest rates offered and, therefore, may increase a bank's interest expense.

Lending to Small- and Medium-Sized Enterprises

In order to obtain funding from the Bank of Korea at concessionary rates for their small- and medium-sized enterprise loans, banks are required to allocate a certain minimum percentage of any quarterly increase in their Won currency lending to small- and medium-sized enterprises. Currently, this minimum percentage is 45% in the case of nationwide banks and 60% in the case of regional banks. If a bank does not comply with this requirement, the Bank of Korea may:

require the bank to prepay all or a portion of funds provided to that bank in support of loans to small- and medium-sized enterprises; or

lower the bank's credit limit.

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Disclosure of Management Performance

For the purpose of protecting depositors and investors in commercial banks, the Financial Services Commission requires commercial banks to publicly disclose certain material matters, including:

financial condition and profit and loss of the bank and its subsidiaries;

fund raising by the bank and the appropriation of such funds;

any sanctions levied on the bank under the Bank Act or any corrective measures or sanctions under the Law on Improvement of Structure of Financial Industry; and

except as may otherwise have been disclosed by a bank or its financial holding company listed on the KRX KOSPI Market in accordance with the Financial Investment Services and Capital Markets Act, occurrence of any of the following events or any other event as prescribed by the applicable regulations:

- (i) loans bearing no profit made to a single business group in an amount exceeding 10% of the sum of the bank's Tier I and Tier II capital (less any capital deductions) as of the end of the previous month (where the loan exposure to that borrower is calculated pursuant to the criteria under the Detailed Regulation on the Supervision of the Banking Business), unless the loan exposure to that group is not more than 4 billion;
- (ii) the occurrence of any financial incident involving embezzlement, malfeasance or misappropriation of funds with respect to which damages are expected to exceed 1 billion, unless the governor of the Financial Supervisory Service has made a public announcement after its investigation of the incident; and
- (iii) any loss due to court judgments or similar decisions in civil proceedings in an amount exceeding 1% of the sum of the bank's Tier I and Tier II capital (less any capital deductions) as of the end of the previous month, unless the loss is not more than 1 billion.

Restrictions on Lending

Pursuant to the Bank Act, commercial banks may not provide:

loans directly or indirectly secured by a pledge of a bank's own shares;

loans directly or indirectly to enable a natural or juridical person to buy the bank's own shares;

loans to any of the bank's officers or employees, other than *de minimis* loans of up to (i) 20 million in the case of a general loan, (ii) 50 million in the case of a general loan plus a housing loan or (iii) 60 million in the aggregate for general loans, housing loans and loans to pay damages arising from wrongful acts of employees in financial transactions;

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credit (including loans) secured by a pledge of shares of a subsidiary corporation of the bank or to enable a natural or juridical person to buy shares of a subsidiary corporation of the bank; or

loans to any officers or employees of a subsidiary corporation of the bank, other than general loans of up to 20 million or general and housing loans of up to 50 million in the aggregate.

Regulations Relating to Retail Household Loans

The Financial Services Commission has implemented a number of changes in recent years to the regulations relating to retail household lending by banks. Under the currently applicable regulations:

as to loans secured by collateral of housing (including apartments) located nationwide, the loan-to-value ratio (the aggregate principal amount of loans secured by such collateral over the appraised value of the collateral) should not exceed 60% (except for loans secured by collateral of housing (regardless of housing type or location) to be amortized over a period of 10 years as set forth below);

as to loans secured by collateral of housing (including apartments) located in areas of excessive investment or housing (excluding apartments) located in areas of high speculation, in each case as designated by the government, (i) the loan-to-value ratio for loans with a maturity of not more than three years should not exceed 50%, and (ii) the loan-to-value ratio for loans with a maturity of more than three years should not exceed 60%;

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as to loans secured by apartments located in areas of high speculation as designated by the government, (i) the loan-to-value ratio for loans with a maturity of not more than ten years should not exceed 40%; and (ii) the loan-to-value ratio for loans with a maturity of more than ten years should not exceed (a) 40%, if the price of such apartment is over 600 million, and (b) 60%, if the price of such apartment is 600 million or lower;

as to loans secured by collateral of housing (regardless of housing type or location) to be amortized over a period of 10 years, further requirements relating to which are set forth in the Regulation on the Supervision of the Banking Business, the loan-to-value ratio should not exceed 70%;

as to loans secured by apartments with appraisal value of more than 600 million in areas of high speculation as designated by the government or certain metropolitan areas designated as areas of excessive investment by the government, the borrower's debt-to-income ratio (calculated as (i) the aggregate annual total payment amount of (x) the principal of and interest on loans secured by such apartment(s) and (y) the interest on other debts of the borrower over (ii) the borrower's annual income) should not exceed 40%;

as to apartments located in areas of high speculation as designated by the government, a borrower is permitted to have only one new loan secured by such apartment;

where a borrower has two or more loans secured by apartments located in areas of high speculation as designated by the government, the loan with the earliest maturity date must be repaid first and the number of loans must be eventually reduced to one; and

in the case of a borrower (i) whose spouse already has a loan secured by housing or (ii) who is single and under 30 years old, the debt-to-income ratio of the borrower in respect of loans secured by apartment(s) located in areas of high speculation as designated by the government should not exceed 40%.

Restrictions on Investments in Property

A bank may not invest in securities set forth below in excess of 100% of the sum of the bank's Tier I and Tier II capital (less any capital deductions):

debt securities (within the meaning of paragraph (3) of Article 4 of the Financial Investment Services and Capital Markets Act) the maturity of which exceeds three years, but excluding government bonds, monetary stabilization bonds issued by the Bank of Korea and bonds within the meaning of item 2, paragraph (6) of Article 11 of the Act on the Improvement of the Structure of the Financial Industry;

equity securities, but excluding securities within the meaning of item 1, paragraph (6) of Article 11 of the Act on the Improvement of the Structure of the Financial Industry;

derivatives linked securities (within the meaning of paragraph (7) of Article 4 of the Financial Investment Services and Capital Markets Act) the maturity of which exceeds three years; and

beneficiary certificates, investment contracts and depositary receipts (within the meaning of paragraph (2) of Article 4 of the Financial Investment Services and Capital Markets Act) the maturity of which exceeds three years.

A bank may possess real estate property only to the extent necessary for the conduct of its business. The aggregate value of such property may not exceed 60% of the sum of the bank's Tier I and Tier II capital (less any capital deductions). Any property that a bank acquires by exercising

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its rights as a secured party, or which a bank is prohibited from acquiring under the Bank Act, must be disposed of within one year.

Restrictions on Shareholdings in Other Companies

Under the Bank Act, a bank may not own more than 15% of shares outstanding with voting rights of another corporation, except where, among other reasons:

that corporation engages in a category of financial businesses set forth by the Financial Services Commission; or

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the acquisition of shares by the bank is necessary for the corporate restructuring of such corporation and is approved by the Financial Services Commission.

In the above cases, the total investment in corporations in which the bank owns more than 15% of the outstanding shares with voting rights may not exceed (i) 15% of the sum of Tier I and Tier II capital (less any capital deductions) or (ii) 30% of the sum of Tier I and Tier II capital (less any capital deductions) where the acquisition satisfies the requirements determined by the Financial Services Commission.

The Bank Act provides that a bank using its bank accounts and its trust accounts is not permitted to acquire the shares issued by the major shareholder of such bank in excess of an amount equal to 1% of the sum of Tier I and Tier II capital (less any capital deductions).

Restrictions on Bank Ownership

Under the Bank Act, a single shareholder and persons who have a special relationship with that shareholder generally may acquire beneficial ownership of no more than 10% of a nationwide bank's total issued and outstanding shares with voting rights and no more than 15% of a regional bank's total issued and outstanding shares with voting rights. The Korean government, the KDIC and bank holding companies qualifying under the Financial Holding Company Act are not subject to this limit. However, pursuant to an amendment to the Bank Act which became effective on February 14, 2014, non-financial business group companies may not acquire beneficial ownership of shares of a nationwide bank in excess of 4% of that bank's outstanding voting shares (or 15% in the case of a regional bank), unless they satisfy certain requirements set forth by the Enforcement Decree of the Bank Act, obtain the approval of the Financial Services Commission and agree not to exercise voting rights in respect of shares in excess of the 4% limit (or the 15% limit in the case of a regional bank), in which case they may acquire beneficial ownership of up to 10% of a nationwide bank's outstanding voting shares. Such amendment grants an exception for non-financial business group companies which, at the time of the enactment of the amended provisions, held more than 4% of the shares of a bank.

Non-financial business group companies as defined under the Bank Act include:

- (1) any same shareholder group with aggregate net assets of all non-financial business companies belonging to such group of not less than 25% of the aggregate net assets of all members of such group;
- (2) any same shareholder group with aggregate assets of all non-financial business companies belonging to such group of not less than 2 trillion;
- (3) any mutual fund in which a same shareholder group identified in item (1) or (2) above beneficially owns and/or exercises the voting rights of more than 4% of the total issued and outstanding voting shares of such mutual fund;
- (4) any private equity fund with (a) a person falling under any of items (1) through (3) above as a limited partner holding not less than 10% of the total amount of contributions to the private equity fund, or (b) a person falling under any of items (1) through (3) above as a general partner, or (c) the total equity of the private equity fund acquired by each affiliate belonging to several enterprise groups subject to the limitation on mutual investment being 30% or more of the total amount of contributions to the private equity fund; or
- (5) any investment purpose company in which a private equity fund falling under item (4) above acquires or holds shares in excess of 4% of the shares or equity of such company or exercises de facto control over significant managerial matters of such company through appointment or dismissal of executives or in any other manner.

In addition, if a foreign investor, as defined in the Foreign Investment Promotion Act, owns in excess of 4% of a nationwide bank's outstanding voting shares, non-financial business group companies may acquire beneficial ownership of up to 10% of that bank's outstanding voting shares (or 15% in the case of a regional bank), and in excess of 10% (or 15% in the case of a regional bank), 25% or 33% of that bank's outstanding

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voting shares with the approval of the Financial Services Commission in each instance, up to the number of shares owned by the foreign investor. Any other person (whether a Korean national or a foreign investor), with the exception of non-financial business group companies described above, may acquire no more than 10% of a nationwide bank's total voting shares issued and outstanding, unless they obtain approval from the Financial Services Commission in each instance where the total holding will exceed 10% (or 15% in the case of regional banks), 25% or 33% of the bank's total voting shares issued and outstanding provided that, in addition to the foregoing threshold shareholding ratios, the Financial Services Commission may, at its discretion, designate a separate and additional threshold shareholding ratio.

Deposit Insurance System

The Depositor Protection Act provides insurance for certain deposits of banks in Korea through a deposit insurance system. Under the Depositor Protection Act, all banks governed by the Bank Act are required to pay an insurance premium to the KDIC on a quarterly basis and the rate is determined under the Enforcement Decree to the Depositor Protection Act. If the KDIC makes a payment on an insured amount, it will acquire the depositor's claims with respect to that payment amount. The KDIC insures a maximum of ₩50 million per individual for deposits and interest in a single financial institution, regardless of when the deposits were made and the size of the deposits. Certain banks governed by the Bank Act, including us, are also required by the Deposit Insurance Act to pay a special contribution of 0.025% of average deposits for each quarter as repayment of the governmental funding provided to such banks in the wake of the financial crisis in Korea in the late 1990s. The Depositor Protection Act requires such special contribution to be paid until 2027.

Laws and Regulations Governing Other Business Activities

A bank must register with the Ministry of Strategy and Finance to enter the foreign exchange business, which is governed by the Foreign Exchange Transaction Act of Korea. A bank must obtain the permission of the Financial Services Commission to enter the securities business, which is governed by regulations under the Financial Investment Services and Capital Markets Act. Under these laws, a bank may engage in the foreign exchange business, securities repurchase business, governmental/public bond underwriting business and governmental bond dealing business.

Regulations on Trust Business

A bank must obtain approval from the Financial Services Commission to engage in trust businesses. The Trust Act and the Financial Investment Services and Capital Markets Act govern the trust activities of banks, and they are subject to various legal and accounting procedures and requirements, including the following:

under the Trust Act, assets accepted in trust by a bank in Korea must be segregated from other assets in the accounts of that bank; and

depositors and other general creditors cannot obtain or assert claims against the assets comprising the trust accounts in the event the bank is liquidated or wound-up.

The bank must make a special reserve of 25% or more of fees from each unspecified money trust account for which a bank guarantees the principal amount and a fixed rate of interest until the total reserve for that account equals 5% of the trust amount. Since January 1999, the Korean government has prohibited Korean banks from offering new guaranteed fixed rate trust account products whose principal and interest are guaranteed.

Under the Financial Investment Services and Capital Markets Act, which became effective in February 2009, a bank with a trust business license (such as us) is permitted to offer both specified money trust account products and unspecified money trust account products. Previously, banks were not permitted to offer unspecified money trust account products pursuant to the Indirect Investment Asset Management Act, which is no longer in effect following the effectiveness of the Financial Investment Services and Capital Markets Act.

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Regulations on Credit Card Business

General

In order to enter the credit card business, a company must register with the Financial Services Commission. Credit card businesses are governed by the Specialized Credit Financial Business Act, enacted on August 28, 1997 and last amended on July 24, 2015, which sets forth specific requirements with respect to the credit card business as well as generally prohibiting unsound business practices relating to the credit card business which may infringe on the rights of credit card holders or negatively affect the soundness of the credit card industry. Credit card companies, including our wholly-owned subsidiary, Woori Card, are regulated by the Financial Services Commission and the Financial Supervisory Service.

Disclosure and Reports

Under the Specialized Credit Financial Business Act and the regulations thereunder, a credit card company is required to disclose on a periodic and on-going basis certain material matters and events. In addition, a credit card company must submit its business reports with respect to its results of operations to the Governor of the Financial Supervisory Service within one month from the end of each quarter.

Restrictions on Funding

Under the Specialized Credit Financial Business Act and the regulations thereunder, a credit card company must ensure that its total assets do not exceed an amount equal to six times its equity capital. However, if a credit card company is unable to comply with such limit upon the occurrence of unavoidable events, such as drastic changes in the domestic and global financial markets, such limit may be adjusted through a resolution of the Financial Services Commission.

Risk of Loss Due to Lost, Stolen, Forged or Altered Credit Cards

Under the Specialized Credit Financial Business Act, a credit card company is liable for any loss arising from the unauthorized use of credit cards or debit cards after it has received notice from the holder of the loss or theft of the card. A credit card company is also responsible for any losses resulting from the use of forged or altered credit cards, debit cards and pre-paid cards. A credit card company may, however, transfer all or part of this latter risk of loss to holders of credit card in the event of willful misconduct or gross negligence by holders of credit card if the terms and conditions of the agreement entered between the credit card company and members of such cards specifically provide for that transfer.

For these purposes, disclosure of a customer's password that is made intentionally or through gross negligence, or the transfer of or giving as collateral of the credit card or debit card, is considered willful misconduct or gross negligence. However, a disclosure of a cardholder's password that is made under irresistible force or threat to cardholder or his/her relatives' life or health will not be deemed as willful misconduct or negligence of the cardholder.

Each credit card company must institute appropriate measures to fulfill these obligations, such as establishing provisions, purchasing insurance or joining a cooperative association.

Pursuant to the Enforcement Decree to the Specialized Credit Financial Business Act, a credit card company will be liable for any losses arising from loss or theft of a credit card (which was not from the holder's willful misconduct or negligence) during the period beginning 60 days before the notice by the holder to the credit card company.

Pursuant to the Specialized Credit Financial Business Act, the Financial Services Commission may either restrict the limit or take other necessary measures against the credit card company with respect to such matters as the maximum limits on the amount per credit card, details of credit card terms and conditions, management of credit card merchants and collection of claims, including the following:

maximum limits for cash advances on credit cards;

use restrictions on debit cards with respect to per day or per transaction usage;

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aggregate issuance limits and maximum limits on the amount per card on pre-paid cards; and

other matters prescribed by the Enforcement Decree to the Specialized Credit Financial Business Act.

Lending Ratio in Ancillary Business

Pursuant to the Enforcement Decree to the Specialized Credit Financial Business Act, a credit card company must maintain an aggregate quarterly average outstanding lending balance to credit cardholders (including cash advances and credit card loans, but excluding restructured loans) no greater than the sum of (i) its aggregate quarterly average outstanding credit card balance arising from the purchase of goods and services and (ii) the aggregate quarterly debit card transaction volume.

Issuance of New Cards and Solicitation of New Cardholders

The Enforcement Decree to the Specialized Credit Financial Business Act establishes the conditions under which a credit card company may issue new cards and solicit new members. New credit cards may be issued only to the following persons:

persons who are at least 19 years old when they apply for a credit card;

persons whose capability to pay bills as they come due has been verified using standards established by the credit card company; and

in the case of minors who are 18 years old, persons who submit documents evidencing employment as of the date of the credit card application, such as an employment certificate, or persons for whom the issuance of a credit card is necessitated by governmental policies, such as financial aid.

In addition, a credit card company may not solicit credit card members by:

providing economic benefits or promising to provide economic benefits in excess of 10% of the annual credit card fee (in the case of credit cards with annual fees that are less than the average of the annual fees charged by the major credit cards in Korea, the annual fee will be deemed to be equal to such average annual fee) in connection with issuing a credit card;

soliciting applicants on roads, public places or along corridors used by the general public;

soliciting applicants through visits, except those visits made upon prior consent and visits to a business area;

soliciting applicants through the Internet without verifying whether the applicant is who he or she purports to be, by means of a certified digital signature under the Digital Signature Act; and

soliciting applicants through pyramid sales methods.

Compliance Rules on Collection of Receivable Claims

Pursuant to Supervisory Regulation on the Specialized Credit Financial Business, a credit card company may not:

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exert violence or threaten violence;

inform a related party (a guarantor of the debtor, blood relative or fiancée of the debtor, a person living in the same household as the debtor or a person working in the same workplace as the debtor) of the debtor's obligations without just cause;

provide false information relating to the debtor's obligation to the debtor or his or her related parties;

threaten to sue or sue the debtor for fraud despite lack of affirmative evidence to establish that the debtor has submitted forged or false documentation with respect to his/her capacity to make payment;

visit or telephone the debtor during late evening hours (between the hours of 9:00 p.m. and 8:00 a.m.); and

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utilize other uncustomary methods to collect the receivables that interfere with the privacy or the peace in the workplace of the debtor or his or her related parties.

Regulations on Class Actions Regarding Securities

The Law on Class Actions Regarding Securities was enacted as of January 20, 2004 and last amended on May 28, 2013. The Law on Class Actions Regarding Securities governs class actions suits instituted by one or more representative plaintiff(s) on behalf of 50 or more persons who claim to have been damaged in a capital markets transaction involving securities issued by a listed company in Korea.

Applicable causes of action with respect to such suits include:

claims for damages caused by misleading information contained in a securities statement;

claims for damages caused by the filing of a misleading business report, semi-annual report, or quarterly report;

claims for damages caused by insider trading or market manipulation; and

claims instituted against auditors for damages caused by accounting irregularities.

Any such class action may be instituted upon approval from the presiding court and the outcome of such class action will have a binding effect on all potential plaintiffs who have not joined the action, with the exception of those who have filed an opt out notice with such court.

Regulations on Financial Investment Business

General

The Financial Investment Services and Capital Markets Act, which became effective in February 2009, regulates and governs the financial investment business in Korea. The entities that regulate and supervise financial investment companies are the Financial Services Commission, the Financial Supervisory Service and the Securities and Futures Commission.

Under the Financial Investment Services and Capital Markets Act, a company must obtain a license from the Financial Services Commission to commence a financial investment business such as a brokerage business, a dealing business or an underwriting business, or register with the Financial Services Commission to commence a financial investment business such as an investment advisory business or a discretionary investment management business. A bank is permitted to engage in certain types of financial investment business as specified under the Enforcement Decree of the Bank Act. Prior to commencing a financial investment business, a bank must file a report with the Financial Services Commission and apply for a license pursuant to the Financial Investment Services and Capital Markets Act.

Consolidation of Capital Markets-Related Laws

Prior to the effectiveness of the Financial Investment Services and Capital Markets Act, different laws regulated different types of financial institutions. By applying a uniform set of rules to the same financial business having the same economic function, the Financial Investment Services and Capital Markets Act aims to address the issues caused by the previous regulatory system under which the same economic function relating to capital markets-related businesses was governed by multiple regulations. The Financial Investment Services and Capital Markets Act categorizes financial investment businesses into six different functions:

dealing, trading and underwriting of financial investment products (as defined below);

brokerage of financial investment products;

establishment of collective investment schemes and the management thereof;

investment advice;

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discretionary investment management; and

trusts (together with the five businesses set forth above, the Financial Investment Businesses).

Accordingly, all financial businesses relating to financial investment products have been reclassified as one or more of the financial investment businesses listed above, and financial institutions are subject to the regulations applicable to their relevant financial investment businesses, regardless of the type of the financial institution it may be. For example, under the Financial Investment Services and Capital Markets Act, derivative businesses conducted by former securities companies and future companies will be subject to the same regulations.

Banking and insurance businesses are not subject to the Financial Investment Services and Capital Markets Act and will continue to be regulated under separate laws. However, they may become subject to the Financial Investment Services and Capital Markets Act if their activities involve any financial investment businesses requiring a license pursuant to the Financial Investment Services and Capital Markets Act.

Comprehensive Definition of Financial Investment Products

In an effort to encompass the various types of securities and derivative products available in the capital markets, the Financial Investment Services and Capital Markets Act sets forth a comprehensive term financial investment products, defined to mean all financial products carrying a risk of loss of the invested amount. Financial investment products are classified into two major categories: (i) securities (financial investment products in which the risk of loss is limited to the invested amount) and (ii) derivatives (financial investment products in which the risk of loss may exceed the invested amount). As a result of the general and broad definition of financial investment products, a variety of financial products may be defined as a financial investment product, which would enable Financial Investment Companies (defined below) to handle a broader range of financial products. Under the Financial Investment Services and Capital Markets Act, entities formerly licensed as securities companies, asset management companies, future companies and other entities engaging in any Financial Investment Business are classified as Financial Investment Companies.

New License System and the Conversion of Existing Licenses

Under the Financial Investment Services and Capital Markets Act, Financial Investment Companies are able to choose the type of Financial Investment Business in which to engage (through a check the box method set forth in the relevant license application), by specifying the desired (i) financial investment business, (ii) financial investment product and (iii) target customers to which financial investment products may be sold or distributed (that is, general investors or professional investors). Licenses will be issued under the specific business sub-categories described in the foregoing sentence. For example, it would be possible for a Financial Investment Company to obtain a license to engage in the financial investment business of (i) dealing (ii) over the counter derivatives products or (iii) only with sophisticated investors.

Financial institution that engage in business activities constituting a financial investment business are required to take certain steps, such as renewal of their license or registration, in order to continue engaging in such business activities. Financial institutions that are not licensed Financial Investment Companies are not permitted to engage in any Financial Investment Business, subject to the following exceptions: (i) banks and insurance companies are permitted to engage in certain categories of Financial Investment Businesses for a period not exceeding six months commencing on the effective date of the Financial Investment Services and Capital Markets Act; and (ii) other financial institutions that engaged in any Financial Investment Business prior to the effective date of the Financial Investment Services and Capital Markets Act (whether in the form of a concurrent business or an incidental business) are permitted to continue such Financial Investment Business for a period not exceeding six months commencing on the effective date of the Financial Investment Services and Capital Markets Act.

Table of Contents*Expanded Business Scope of Financial Investment Companies*

Under the previous regulatory regime in Korea, it was difficult for a financial institution to explore a new line of business or expand upon its existing line of business. For example, previously a financial institution licensed as a securities company generally was not permitted to engage in the asset management business. In contrast, under the Financial Investment Services and Capital Markets Act, pursuant to the integration of its current businesses involving financial investment products into a single Financial Investment Business, a licensed Financial Investment Company is permitted to engage in all types of Financial Investment Businesses, subject to satisfying relevant regulations (for example, maintaining an adequate Chinese Wall, to the extent required). As to incidental businesses (that is, a financial related business which is not a Financial Investment Business), the Financial Investment Services and Capital Markets Act generally allows a Financial Investment Company to freely engage in such incidental businesses by shifting away from the previous positive-list system towards a more comprehensive system. In addition, a Financial Investment Company is permitted to (i) outsource marketing activities by contracting introducing brokers that are individuals but not employees of the Financial Investment Company, (ii) engage in foreign exchange business related to their Financial Investment Business and (iii) participate in the settlement network, pursuant to an agreement among the settlement network participants.

Improvement in Investor Protection Mechanism

While the Financial Investment Services and Capital Markets Act widens the scope of financial businesses in which financial institutions are permitted to engage, a more rigorous investor-protection mechanism is also imposed upon Financial Investment Companies dealing in financial investment products. The Financial Investment Services and Capital Markets Act distinguishes general investors from sophisticated investors and provides new or enhanced protections to general investors. For instance, the Financial Investment Services and Capital Markets Act expressly provides for a strict know-your-customer rule for general investors and imposes an obligation that Financial Investment Companies should market financial investment products suitable to each general investor, using written explanatory materials. Under the Financial Investment Services and Capital Markets Act, a Financial Investment Company could be liable if a general investor proves (i) damage or losses relating to such general investor's investment in financial investment products solicited by such Financial Investment Company and (ii) absence of the requisite written explanatory materials, without having to prove fault or causation. With respect to any conflicts of interest between Financial Investment Companies and investors, the Financial Investment Services and Capital Markets Act expressly requires (i) disclosure of any conflict of interest to investors and (ii) mitigation of conflicts of interest to a comfortable level or abstention from the relevant transaction.

Other Changes to Securities / Fund Regulations

The Financial Investment Services and Capital Markets Act changed various securities regulations including those relating to public disclosure, insider trading and proxy contests, which were previously governed by the Korean Securities Exchange Act. For example, the 5% and 10% reporting obligations under the Korean Securities Exchange Act have become more stringent. The Indirect Investment and Asset Management Business Act strictly limited the kind of vehicles that could be utilized under a collective investment scheme, restricting the range of vehicles to trusts and corporations, and the type of funds that can be used for investments. However, under the Financial Investment Services and Capital Markets Act, these restrictions have been significantly liberalized, permitting all vehicles that may be created under Korean law, such as limited liability companies or partnerships, to be used for the purpose of collective investments and investment funds to be more flexible as to their investments.

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The following chart provides an overview of our structure, including our significant subsidiaries and our ownership of such subsidiaries as of the date of this annual report:

We are the direct or indirect parent company of a number of subsidiaries. The following table provides summary information for our subsidiaries (other than structured companies) that are consolidated in our consolidated financial statements as of and for the year ended December 31, 2015:

Subsidiary	Percentage of Ownership	Total Assets	Shareholders Equity (in millions of Won)	Operating Revenue	Net Income
Woori Card Co., Ltd.	100.0%	6,604,059	1,308,834	1,379,873	116,858
Woori Investment Bank Co., Ltd.	58.2%	1,206,156	148,164	129,404	10,435
Woori FIS Co., Ltd.	100.0%	161,778	34,077	260,657	1,421
Woori Finance Research Institute Co., Ltd.	100.0%	3,605	3,277	4,149	86
Woori Credit Information Co., Ltd.	100.0%	33,957	27,266	31,271	1,806
Woori Fund Service Co., Ltd.	100.0%	9,818	9,003	6,247	358
Woori Private Equity Co., Ltd.	100.0%	89,365	43,874	3,669	1,224
Korea BTL Infrastructure Fund.	99.9%	739,502	739,223	34,042	30,307
Woori America Bank.	100.0%	1,701,191	191,887	67,932	12,893
Woori Bank (China) Limited.	100.0%	4,016,968	505,700	408,566	1,056
PT Bank Woori Saudara Indonesia 1906, Tbk	74.0%	1,770,900	352,948	375,747	24,023
ZAO Woori Bank.	100.0%	261,026	35,832	17,301	7,232
Woori Brazil Bank.	100.0%	106,239	25,586	19,850	2,330
Woori Global Market Asia Limited	100.0%	245,246	118,845	6,851	1,763
Woori Finance Cambodia	100.0%	22,767	6,160	2,705	579
Woori Finance Myanmar	100.0%	2,252	2,223	9	(117)

Item 4D. Property, Plants and Equipment

Our registered office and corporate headquarters, with a total area of approximately 97,222 square meters, are located at 51, Sogong-ro, Jung-gu, Seoul, Korea. Information regarding certain of our properties in Korea as of December 31, 2015 is presented in the following table:

Type of Facility/Building	Location	Area (square meters)
Woori Bank registered office and corporate headquarters	51, Sogong-ro, Jung-gu, Seoul, Korea 04632	97,222
Woori FIS registered office and corporate headquarters	17, World Cup buk-ro 60-gil, Mapo-gu, Seoul, Korea 03921	36,666

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As of December 31, 2015, we had a network of 956 banking branches in Korea, approximately 248 of which are housed in buildings owned by us, while the remaining branches are leased properties. Lease terms are generally from two to three years and seldom exceed five years. We also have subsidiaries in the United States, China, Hong Kong, Russia, Indonesia, Cambodia, Brazil and Myanmar and branches, agencies and representative offices in Asia, the United States and Europe. We do not own any material properties outside of Korea.

The net book value of all the properties owned by us as of December 31, 2015 was 2,471 billion.

Item 4.A. UNRESOLVED STAFF COMMENTS

We do not have any unresolved comments from the U.S. Securities and Exchange Commission staff regarding our periodic reports under the Exchange Act.

Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**Item 5A. *Operating Results*
Overview**

The following discussion is based on our consolidated financial statements, which have been prepared in accordance with IFRS as issued by the IASB. The consolidated financial statements include the accounts of subsidiaries over which substantive control is exercised through either majority ownership of voting stock and/or other means. Investments in joint ventures and associates (which are companies over which we have the ability to exercise significant influence) are accounted for by the equity method of accounting and are reported in investments in joint ventures and associates.

Trends in the Korean Economy

Our financial position and results of operations have been and will continue to be significantly affected by financial and economic conditions in Korea. In light of the difficult financial condition and liquidity position of small- and medium-sized enterprises in Korea since the second half of 2008, the Korean government introduced measures intended to encourage Korean banks to provide financial support to small- and medium-sized enterprise borrowers. Such measures contributed to an increase in our loans to small- and medium-sized enterprises, which increased from 62,544 billion as of December 31, 2014 to 67,115 billion as of December 31, 2015. Substantial growth in lending in Korea to small- and medium-sized enterprises in recent years, and financial difficulties experienced by such enterprises as a result of, among other things, adverse economic conditions in Korea and globally, may lead to increasing delinquencies and a deterioration in overall asset quality in the credit exposures of Korean banks to small- and medium-sized enterprises. In 2015, we recorded charge-offs of 472 billion in respect of our Won-denominated loans to small- and medium-sized enterprises, compared to charge-offs of 319 billion (excluding discontinued operations) in 2014. See Item 3D. Risk Factors Risks relating to our corporate credit portfolio The largest portion of our exposure is to small- and medium-sized enterprises, and financial difficulties experienced by companies in this segment may result in a deterioration of our asset quality and have an adverse impact on us.

In recent years, commercial banks, consumer finance companies and other financial institutions in Korea have also made significant investments and engaged in aggressive marketing in consumer lending (including mortgage and home equity loans), leading to substantially increased competition in this segment. Furthermore, in 2014 and 2015, the Korean government announced several measures to encourage consumer spending and revive the housing market in Korea, including loosening regulations on mortgage lending, which contributed to an increase in our consumer loan portfolio from 80,217 billion as of December 31, 2014 to 93,448 billion as of December 31, 2015. The rapid growth in consumer loans, together with adverse economic conditions in Korea in recent years, may lead to increasing delinquencies and a deterioration in asset quality. In 2015, we recorded charge-offs of 240 billion and provisions for credit losses of 103 billion in respect of our consumer loan portfolio, compared to charge-offs of 115 billion (excluding discontinued operations) and provisions for credit losses of 150 billion (excluding discontinued operations) in 2014. See Item 3D. Risk Factors Risks relating to our consumer credit portfolio.

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The Korean economy is closely tied to, and is affected by developments in, the global economy. While the rate of deterioration of the global economy since the commencement of the global financial crisis in 2008 has slowed, with some signs of stabilization and improvement, the overall prospects for the Korean and global economy in 2016 and beyond remain uncertain. In recent years, the global financial markets have experienced significant volatility as a result of, among other things:

the financial difficulties affecting many governments worldwide, in particular in southern Europe and Latin America;

the slowdown of economic growth in China and other major emerging market economies;

interest rate fluctuations as well as the possibility of increases in policy rates by the U.S. Federal Reserve and other central banks; and

political and social instability in various countries in the Middle East and Northern Africa, including Iraq, Syria and Egypt, as well as in Ukraine and Russia.

In light of the high level of interdependence of the global economy, any of the foregoing developments could have a material adverse effect on the Korean economy and financial markets, and in turn on our business, financial condition and results of operations.

We are also exposed to adverse changes and volatility in global and Korean financial markets as a result of our liabilities and assets denominated in foreign currencies and our holdings of trading and investment securities, including structured products. The value of the Won relative to major foreign currencies in general and the U.S. dollar in particular has fluctuated significantly. See Item 3A. Selected Financial Data Exchange Rates. A depreciation of the Won will increase our cost in Won of servicing our foreign currency-denominated debt, while continued exchange rate volatility may also result in foreign exchange losses for us. Furthermore, as a result of adverse global and Korean economic conditions, there has been significant volatility in securities prices, including the stock prices of Korean and foreign companies in which we hold an interest. Such volatility has resulted in and may lead to further trading and valuation losses on our trading and investment securities portfolio as well as impairment losses on our investments in joint ventures and associates.

As a result of volatile conditions and weakness in the Korean and global economies, as well as factors such as the uncertainty surrounding the global financial markets, fluctuations in oil and commodity prices, interest and exchange rate fluctuations, higher unemployment, lower consumer confidence, potential tightening of fiscal and monetary policies and continued tensions with North Korea, the economic outlook for the financial services sector in Korea in 2016 and for the foreseeable future remains uncertain.

Privatization Plan

The Korean government, which currently owns 51.06% of our outstanding common stock through the KDIC, has been implementing a privatization plan with respect to Woori Finance Holdings and its former subsidiaries, including us. Pursuant to such plan, in May 2014, Woori Finance Holdings established KJB Financial Group and KNB Financial Group through a spin-off of its businesses related to the holding of the shares and thereby controlling the business operations of Kwangju Bank and Kyongnam Bank, respectively. As a result of such spin-off, KJB Financial Group became the owner of the shares of Kwangju Bank previously held by Woori Finance Holdings, and KNB Financial Group became the owner of the shares of Kyongnam Bank previously held by Woori Finance Holdings. Woori Finance Holdings no longer owned any shares of Kwangju Bank or Kyongnam Bank, and neither they nor their new holding companies were its subsidiaries, after the spin-off. Following such spin-off, each of these banks was merged with its holding company, and in October 2014, the KDIC sold its 56.97% ownership interest in Kwangju Bank and Kyongnam Bank to JB Financial Group and BS Financial Group, respectively. In addition, in March 2014, Woori Finance Holdings sold its 52.0% ownership interest in Woori Financial to KB Financial Group. In May 2014, Woori Finance Holdings also sold its 100.0% ownership interest in Woori Asset Management to Kiwoom Securities and sold its 100.0% ownership interest in Woori F&I to Daishin Securities. In June 2014, Woori Finance Holdings sold its 37.9% ownership interest in Woori Investment & Securities, its 51.6% ownership interest in Woori Aviva Life Insurance and its

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100.0% ownership interest in Woori FG Savings Bank to NongHyup Financial Group in a collective sale. As a result of such sales, Woori Investment & Securities, Woori Asset Management, Woori Aviva Life Insurance, Woori FG Savings Bank, Woori F&I and Woori Financial were no longer subsidiaries of Woori Finance Holdings, and it no longer owned any shares in such former subsidiaries. See Item 4A. History and Development of the Company Privatization Plan.

In light of such dispositions during 2014, Kwangju Bank, Kyongnam Bank, Woori Investment & Securities, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I were classified as a disposal group held for distribution or sale, and their operations were accounted for as discontinued operations, in our consolidated statements of financial position and comprehensive income as of and for the year ended December 31, 2013, as well as in our consolidated statement of comprehensive income for the year ended December 31, 2014, included in this annual report. Accordingly, in general, our financial information as of December 31, 2013 and 2014 and for the years ended December 31, 2013 and 2014 appearing below does not include financial data with respect to such discontinued operations. For further information regarding such discontinued operations, see Notes 46 and 47 of the notes to our consolidated financial statements included elsewhere in this annual report.

Merger with Woori Finance Holdings

Prior to November 1, 2014, we were a wholly-owned subsidiary of Woori Finance Holdings. Pursuant to the Korean government's privatization plan, on November 1, 2014, Woori Finance Holdings merged with and into us, such that we remained as the surviving entity, and Woori Finance Holdings ceased to exist, after the merger. In connection with the merger, shareholders of Woori Finance Holdings recorded in its shareholder register as of November 1, 2014 received one share of our common stock for each share of common stock of Woori Finance Holdings they held.

As a result of the merger, the other former subsidiaries of Woori Finance Holdings, including Woori Card, Woori Private Equity, Woori FIS, Woori Investment Bank and Woori Finance Research Institute, became our subsidiaries. Accordingly, our overall business and operations after the merger, on a consolidated basis, are substantially identical to those of Woori Finance Holdings on a consolidated basis prior to the merger. See Item 4A. History and Development of the Company Privatization Plan Merger with Woori Finance Holdings.

The merger qualified as business combination under common control for accounting purposes. Accordingly, we recognized the transferred assets and liabilities of Woori Finance Holdings at their book value and did not recognize any goodwill in connection with the merger. The financial information appearing below, as of dates and for periods prior to the date of the merger, is for Woori Finance Holdings and its subsidiaries (including us) and, as of dates and for periods from and after the date of the merger, is for us and our subsidiaries. See Note 50 of the notes to our consolidated financial statements included elsewhere in this annual report.

Changes in Securities Values, Exchange Rates and Interest Rates

Fluctuations of exchange rates, interest rates and stock prices affect, among other things, the demand for our products and services, the value of and rate of return on our assets, the availability and cost of funding and the financial condition of our customers. The following table shows, for the dates indicated, the stock price index of all equities listed on the KRX KOSPI Market as published in the KOSPI, the Won to U.S. dollar exchange rates and benchmark Won borrowing interest rates.

	June 30, 2011	Dec. 31, 2011	June 30, 2012	Dec. 31, 2012	June 30, 2013	Dec. 31, 2013	June 30, 2014	Dec. 31, 2014	June 30, 2015	Dec. 31, 2015
KOSPI	2,100.69	1,825.12	1,854.01	1,997.05	1,863.32	2,011.34	2,002.21	1,915.59	2,074.20	1,961.31
/US\$ exchange rate ⁽¹⁾	1,066.3	1,158.5	1,141.17	1,063.24	1,141.45	1,055.25	1,011.60	1,090.89	1,117.34	1,169.26
Corporate bond rates ⁽²⁾	4.5%	4.2%	3.9%	3.4%	3.5%	3.6%	3.4%	2.8%	2.5%	2.6%
Treasury bond rates ⁽³⁾	3.8%	3.3%	3.3%	2.8%	2.9%	2.8%	2.6%	2.1%	1.8%	1.7%

(1) Represents the noon buying rate on the dates indicated.

(2) Measured by the yield on three-year Korean corporate bonds rated as A+ by the Korean credit rating agencies.

(3) Measured by the yield on three-year treasury bonds issued by the Ministry of Strategy and Finance of Korea.

Table of Contents**Critical Accounting Policies**

The notes to our consolidated financial statements contain a summary of our significant accounting policies, including a discussion of recently issued accounting pronouncements. Certain of these policies are critical to the portrayal of our financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. We discuss these critical accounting policies below.

Impairment of Loans and Allowance for Credit Losses

We evaluate our loans and receivables portfolio for impairment on an ongoing basis. We have established an allowance for credit losses, which is available to absorb probable losses that have been incurred in our loans and receivables portfolio as of the date of the statement of financial position. If we believe that additions or changes to the allowance for credit losses are required, we record provisions for credit losses (as part of our impairment loss for credit loss), which are treated as charges against current income. Loan exposures that we deem to be uncollectible, including actual loan losses, net of recoveries of previously written-off amounts, are charged directly against the allowance for credit losses.

Our accounting policies for losses arising from the impairment of loans and receivables and our allowance for credit loss are described in Notes 2-(9)-6) and 3-(4) of the notes to our consolidated financial statements. We base the level of our allowance for credit losses on an evaluation of the risk characteristics of our loan portfolio. The evaluation considers factors such as historical loss experience, the financial condition of our borrowers and current economic conditions.

Our allowance for credit losses represents our management's best estimate of losses incurred in the loans and receivables portfolio as of the date of the statement of financial position. Our management is required to exercise judgment in making assumptions and estimates when calculating the allowance for credit losses on both individually and collectively assessed loans and advances.

The determination of the allowance required for loans and receivables that are deemed to be individually significant often requires the use of considerable management judgment concerning such matters as economic conditions, the financial performance of the counterparty and the value of any collateral held for which there may not be a readily accessible market. Once we have identified loans and receivables as impaired, we generally value them based on the present value of expected future cash flows discounted at the original effective interest rate of the applicable loan or receivable and compare such present value against the carrying amount of such loan or receivable, which amount is subject to various estimates by our management such as the operating cash flow of the borrower, net realizable value of any collateral held and the timing of anticipated receipts. The actual amount of the future cash flows and their timing may differ from the estimates used by our management and consequently may cause actual losses to differ from the reported allowances.

The allowance for portfolios of smaller-balance homogenous loans and receivables, such as those to individuals and small business customers, and for those loans which are individually significant but for which no objective evidence of impairment exists, is determined on a collective basis. The collective allowance is calculated on a portfolio basis using statistical methodology based on our historical loss experience, which incorporates numerous estimates and judgments. We perform a regular review of the models and underlying data and assumptions.

Our consolidated financial statements for the year ended December 31, 2015 included a total allowance for credit losses of 2,478 billion as of that date. We recorded provisions for credit losses of 1,112 billion in 2015.

We believe that the accounting estimates related to impairment of loans and receivables and our allowance for credit losses are a critical accounting policy because: (1) they are highly susceptible to change from period to period because they require us to make assumptions about future default rates and losses relating to our loan portfolio; and (2) any significant difference between our estimated losses on loans and receivables (as reflected in our allowance for credit losses) and actual losses on loans and receivables could require us to record additional

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provisions for credit losses which, if significant, could have a material impact on our profit. Our assumptions about estimated losses require significant judgment because actual losses have fluctuated in the past and are expected to continue to do so, based on a variety of factors.

Valuation of Financial Assets and Liabilities

Our accounting policy for determining the fair value of financial assets and liabilities is described in Notes 2-(9)-5), 3-(3) and 11 of the notes to our consolidated financial statements.

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial asset or liability is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data and, as such, the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgment to calculate a fair value than those based wholly on observable inputs.

Valuation techniques used to calculate fair values are discussed in Notes 2-(9)-5) and 11 of the notes to our consolidated financial statements. The main assumptions and estimates which our management considers when applying a model with valuation techniques are:

The likelihood and expected timing of future cash flows on the instrument. These cash flows are usually governed by the terms of the instrument, although judgment may be required when the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt. Future cash flows may be sensitive to changes in market rates.

Selecting an appropriate discount rate for the instrument. The determination of this rate is based on an assessment of what a market participant would regard as the appropriate spread of the rate for the instrument over the appropriate risk-free rate.

Judgment to determine what model to use to calculate fair value in areas where the choice of valuation model is particularly subjective (for example, valuation of complex derivative products).

The financial instruments carried at fair value have been categorized under the three levels of the IFRS fair value hierarchy as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value is a market-based measure considered from the perspective of a market participant. As such, even when market assumptions are not readily available, our own assumptions are intended to reflect those that market participants would use in pricing the asset or liability at the measurement date.

Our consolidated financial statements for the year ended December 31, 2015 included financial assets measured at fair value using a valuation technique of 18,503 billion, representing 82.3% of total financial assets measured at fair value, and financial liabilities measured at fair value using a valuation technique of 3,299 billion, representing 95.3% of total financial liabilities measured at fair value. As used herein, the fair value using a valuation technique means the fair value at Level 2 and Level 3 in the fair value hierarchy.

We believe that the accounting estimates related to the determination of the fair value of financial instruments are a critical accounting policy because: (1) they may be highly susceptible to change from period to period based on factors beyond our control; and (2) any significant

difference between our estimate of the fair

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value of these financial instruments on any particular date and either their estimated fair value on a different date or the actual proceeds that we receive upon sale of these financial instruments could result in valuation losses or losses on disposal which may have a material impact on our profit. Our assumptions about the fair value of financial instruments we hold require significant judgment because actual valuations have fluctuated in the past and are expected to continue to do so, based on a variety of factors.

Deferred Tax Assets

Our accounting policy for the recognition of deferred tax assets is described in Notes 2-(23) and 3-(2) of the notes to our consolidated financial statements.

The recognition of deferred tax assets relies on an assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies.

We recognize deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and unused tax credits. Deferred tax assets are recognized only to the extent it is probable that sufficient taxable profit will be available against which those deductible temporary differences, unused tax losses or unused tax credits can be utilized. This assessment requires significant management judgment and assumptions. In determining the amount of deferred tax assets, we use forecasted operating results, which are based on historical financial performance, approved business plans, including a review of the eligible carry-forward periods, available tax planning opportunities and other relevant considerations.

Our consolidated financial statements for the year ended December 31, 2015 included deferred tax assets and liabilities of 211 billion and 19 billion, respectively, as of that date.

We believe that the estimates related to our recognition and measurement of deferred tax assets are a critical accounting policy because: (1) they may be highly susceptible to change from period to period based on our assumptions regarding our future profitability; and (2) any significant difference between our estimates of future profits on any particular date and estimates of such future profits on a different date could result in an income tax expense or benefit which may have a material impact on our net income from period to period. Our assumptions about our future profitability require significant judgment and are inherently subjective.

Goodwill

Our accounting policy for goodwill is described in Notes 2-(13) and 3-(1) of the notes to our consolidated financial statements.

Goodwill is recognized as the excess of (i) the sum of the consideration transferred and the amount of any non-controlling interest in the acquiree over (ii) the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed. If the net amount of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed exceeds the sum of the consideration transferred and the amount of any non-controlling interest in the acquiree, such excess is recognized as a gain as of the acquisition date.

Goodwill is not depreciated and is stated at cost less accumulated impairment losses. However, goodwill that forms part of the carrying amount of an investment in an associate or a joint venture is not separately recognized and an impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate or the joint venture.

The review of goodwill impairment reflects our management's best estimate of the certain factors. For example:

The future cash flows of the cash generating units, or CGUs, are sensitive to the cash flows projected for the periods for which detailed forecasts are available and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance and verifiable economic data, but they necessarily and appropriately reflect our management's view of future business prospects at the time of the assessment.

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The rates used to discount future expected cash flows are based on the costs of capital assigned to individual CGUs and can have a significant effect on their valuation. The cost of capital percentage is generally derived from a Capital Asset Pricing Model, which incorporates inputs reflecting a number of financial and economic variables, including the risk-free interest rate in the country concerned and a premium for the inherent risk of the business being evaluated. These variables are subject to fluctuations in external market rates and economic conditions beyond our control and therefore require the exercise of significant judgment and are consequently subject to uncertainty.

A decline in a CGU's expected cash flows or an increase in its cost of capital reduces the CGU's estimated recoverable amount. If this is lower than the carrying value of the CGU, a charge for impairment of goodwill is recognized in the statement of comprehensive income for the year.

The accuracy of forecast cash flows is subject to a high degree of uncertainty in volatile market conditions. In such market conditions, our management retests goodwill for impairment more frequently than once a year to ensure that the assumptions on which the cash flow forecasts are based continue to reflect current market conditions and management's best estimate of future business prospects.

Our consolidated financial statements for the year ended December 31, 2015 included the value of goodwill of 104 billion as of that date.

We believe that the accounting estimates related to the fair values of our acquired goodwill are a critical accounting policy because: (1) they may be highly susceptible to change from period to period since they require assumptions about future cash flows, run-off rates and profitability; and (2) any significant changes in our estimates from period to period could result in the recognition of impairment losses which may have a material impact on our net income. Our assumptions about estimated future cash flows, run-off rates and profitability require significant judgment and the fair values of the goodwill could fluctuate in the future, based on a variety of factors.

Results of Operations

Unless otherwise indicated, the amounts set forth below exclude the results of operations of certain former subsidiaries classified as discontinued operations for 2013 and 2014. See Overview Privatization Plan.

Net Interest Income

The following table shows, for the periods indicated, the principal components of our interest income:

	Year ended December 31,			Percentage change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Interest income					
Due from banks	120	104	81	(13.3)%	(22.1)%
Loans	8,350	8,184	7,700	(2.0)	(5.9)
Financial assets at fair value through profit or loss	109	71	63	(34.9)	(11.3)
Investment financial assets ⁽¹⁾	860	802	808	(6.7)	0.7
Other receivables	54	50	46	(7.4)	(8.0)
Total interest income	9,493	9,211	8,698	(3.0)	(5.6)
Interest expense					
Deposits	3,650	3,451	2,888	(5.5)	(16.3)
Borrowings	254	252	217	(0.8)	(13.9)
Debentures	961	885	708	(7.9)	(20.0)
Others	136	130	123	(4.4)	(5.4)
Total interest expense	5,001	4,718	3,936	(5.7)	(16.6)
Net interest income	4,492	4,493	4,762	0.0%	6.0%
Net interest margin ⁽²⁾	1.94%	1.82%	1.74%		

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- (1) Includes available-for-sale financial assets and held-to-maturity financial assets.
- (2) The ratio of net interest income to average interest-earning assets.

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Interest income. Interest income decreased 5.6% from 9,211 billion in 2014 to 8,698 billion in 2015, primarily as a result of a 5.9% decrease in interest on loans. The average balance of our interest-earning assets increased 10.6% from 247,145 billion in 2014 to 273,275 in 2015, principally due to the growth of our loan portfolio. The effect of this increase was more than offset by a 55 basis point decrease in the average yield on our interest-earning assets from 3.73% in 2014 to 3.18% in 2015, which reflected a decrease in the general level of interest rates in Korea in 2015 compared to 2014.

The 5.9% decrease in interest on loans from 8,184 billion in 2014 to 7,700 billion in 2015 was primarily due to:

an 80 basis point decrease in the average yield on commercial and industrial loans from 4.48% in 2014 to 3.68% in 2015, which was partially offset by a 7.0% increase in the average volume of such loans from 89,030 billion in 2014 to 95,241 billion in 2015; and

a 51 basis point decrease in the average yield on general purpose household loans (including home equity loans) from 4.15% in 2014 to 3.64% in 2015, which was partially offset by a 2.2% increase in the average volume of such loans from 57,720 billion in 2014 to 59,003 billion in 2015.

The effect of the above decreases was partially offset by:

a 45.1% increase in the average volume of mortgage loans from 23,970 billion in 2014 to 34,770 billion in 2015, which in turn was partially offset by a 63 basis point decrease in the average yield on such loans from 3.83% in 2014 to 3.20% in 2015; and

an 18.6% increase in the average volume of credit card receivables from 4,678 billion in 2014 to 5,547 billion in 2015, which was enhanced by a 47 basis point increase in the average yield on credit card receivables from 8.49% in 2014 to 8.96% in 2015.

The average yields on commercial and industrial loans, general purpose household loans (including home equity loans) and mortgage loans decreased mainly due to the decrease in the general level of interest rates in Korea in 2015. The increase in the average volume of commercial and industrial loans was primarily due to increased demand from corporate borrowers as well as our marketing efforts to increase our corporate lending. The increase in the average volumes of general purpose household loans (including home equity loans) and mortgage loans mainly reflected increased demand for such loans from customers, primarily as a result of the decrease in the general level of interest rates in Korea in 2015. The increase in the average volume of credit card receivables was attributable mainly to an increase in card loans, while the increase in the average yield on credit card receivables was primarily due to the higher interest rates applicable to card loans compared to other credit card receivables.

Overall, the average volume of our loans increased 10.9% from 196,766 billion in 2014 to 218,213 billion in 2015, and the average yield on our loans decreased 63 basis points, from 4.16% in 2014 to 3.53% in 2015.

For further information regarding our interest income, see Note 34-(1) of the notes to our consolidated financial statements included elsewhere in this annual report.

Interest expense. Interest expense decreased 16.6% from 4,718 billion in 2014 to 3,936 billion in 2015, primarily due to a 16.3% decrease in interest expense on deposits, which was enhanced by a 20.0% decrease in interest expense on debentures. The average balance of interest-bearing liabilities increased 11.1% from 234,412 billion in 2014 to 260,546 billion in 2015, principally due to an increase in the average balance of deposits. The effect of this increase was more than offset by a decrease of 50 basis points in the average cost of interest-bearing liabilities from 2.01% in 2014 to 1.51% in 2015, which was driven mainly by a decrease in the average cost of deposits.

The 16.3% decrease in interest expense on deposits from 3,451 billion in 2014 to 2,888 billion in 2015 resulted mainly from a 19.3% decrease in interest expense on time and savings deposits from 3,190 billion in 2014 to 2,573 billion in 2015.

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The decrease in interest expense on time and savings deposits was mainly due to a 54 basis point decrease in the average cost of such deposits from 2.07% in 2014 to 1.53% in 2015, which was partially offset by a 9.4% increase in the average balance of such deposits from 153,789 billion in 2014 to 168,212 billion in 2015. The decrease in the average cost of time and savings deposits was primarily attributable to the decrease in the general level of interest rates in Korea in 2015, while the increase in the average volume of such deposits mainly reflected customers' continuing preference for low-risk products and institutions in Korea in light of the continuing uncertainty in financial markets in 2015.

Overall, the average volume of our deposits increased 10.2% from 179,471 billion in 2014 to 197,762 billion in 2015, while the average cost of our deposits decreased by 46 basis points from 1.92% in 2014 to 1.46% in 2015.

The 20.0% decrease in interest expense on debentures from 885 billion in 2014 to 708 billion in 2015 was primarily due to a 76 basis point decrease in the average cost of debentures from 3.81% in 2014 to 3.05% in 2015, mainly caused by the lower interest rate environment in Korea in 2015. Such decrease was partially offset by a 0.1% increase in the average balance of debentures from 23,218 billion in 2014 to 23,232 billion in 2015, mainly caused by our increased use of debentures to meet our funding needs.

Net interest margin. Net interest margin represents the ratio of net interest income to average interest-earning assets. Our overall net interest margin decreased from 1.82% in 2014 to 1.74% in 2015, as a 10.6% increase in the average balance of our interest-earning assets from 247,145 billion in 2014 to 273,275 billion in 2015 outpaced a 6.0% increase in net interest income from 4,493 billion in 2014 to 4,762 billion in 2015. The growth in average interest-earning assets was matched by an 11.1% increase in average interest-bearing liabilities from 234,412 billion in 2014 to 260,546 billion in 2015, while the decrease in interest income was more than offset by the decrease in interest expense, resulting in an increase in net interest income. The decrease in net interest margin was driven mainly by a decrease in our net interest spread, which represents the difference between the average yield on our interest-earning assets and the average cost of our interest-bearing liabilities, from 1.72% in 2014 to 1.67% in 2015. The decrease in our net interest spread reflected a larger decrease in the average yield on our interest-earning assets compared to the decrease in the average cost of our interest-bearing liabilities from 2014 to 2015, primarily due to the earlier adjustment of interest rates on interest-earning assets compared to interest rates on interest-bearing liabilities in the context of the lower interest rate environment in Korea in 2015.

Comparison of 2014 to 2013

Interest income. Interest income decreased 3.0% from 9,493 billion in 2013 to 9,211 billion in 2014, primarily as a result of a 2.0% decrease in interest on loans, which was enhanced by a 6.7% decrease in interest on investment financial assets. The average balance of our interest-earning assets increased 6.7% from 231,529 billion in 2013 to 247,145 in 2014, principally due to the growth of our loan portfolio. The effect of this increase was more than offset by a 37 basis point decrease in the average yield on our interest-earning assets from 4.10% in 2013 to 3.73% in 2014, which reflected a decrease in the general level of interest rates in Korea in 2014 compared to 2013.

The 2.0% decrease in interest on loans from 8,350 billion in 2013 to 8,184 billion in 2014 was primarily due to:

a 43 basis point decrease in the average yield on general purpose household loans (including home equity loans) from 4.58% in 2013 to 4.15% in 2014, which was enhanced by a 1.8% decrease in the average volume of such loans from 58,770 billion in 2013 to 57,720 billion in 2014;

a 42 basis point decrease in the average yield on commercial and industrial loans from 4.90% in 2013 to 4.48% in 2014, which was partially offset by a 7.4% increase in the average volume of such loans from 82,875 billion in 2013 to 89,030 billion in 2014; and

a 39 basis point decrease in the average yield on other commercial loans from 3.66% in 2013 to 3.27% in 2014, which was enhanced by a 6.1% decrease in the average volume of such loans from 9,584 billion in 2013 to 8,997 billion in 2014.

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The effect of the above decreases was partially offset by a 50.0% increase in the average volume of mortgage loans from 15,979 billion in 2013 to 23,970 billion in 2014, which in turn was partially offset by a 46 basis point decrease in the average yield on such loans from 4.29% in 2013 to 3.83% in 2014.

The average yields on general purpose household loans (including home equity loans), commercial and industrial loan, other commercial loans and mortgage loans decreased mainly due to the decrease in the general level of interest rates in Korea in 2014. The decrease in the average volume of general purpose household loans (including home equity loans) mainly reflected decreased demand for such loans among consumers in light of the continuing uncertainty in the Korean economy. The increase in the average volume of commercial and industrial loans was primarily due to increased demand from corporate borrowers as well as our marketing efforts to increase our corporate lending. The decrease in the average volume of other commercial loans primarily reflected the decrease in the average volume of commercial paper held by Woori Bank China Limited. The increase in the average volume of mortgage loans mainly reflected increased demand for such loans from customers, primarily as a result of the decrease in the general level of interest rates in Korea in 2014.

Overall, the average volume of our loans increased 7.1% from 183,791 billion in 2013 to 196,766 billion in 2014, and the average yield on our loans decreased 38 basis points, from 4.54% in 2013 to 4.16% in 2014.

Our financial assets portfolio consists primarily of investment financial assets, of which a majority was debt securities issued by government-owned or -controlled enterprises or financial institutions (including the Bank of Korea, the Korea Development Bank and the KDIC), as well as financial assets at fair value through profit or loss.

The 6.7% decrease in interest on investment financial assets from 860 billion in 2013 to 802 billion in 2014 was primarily due to a 40 basis point decrease in the average yield on such assets from 3.26% in 2013 to 2.86% in 2014, which was partially offset by a 6.6% increase in the average balance of such assets from 26,349 billion in 2013 to 28,076 billion in 2014. The decrease in the average yield on investment financial assets resulted mainly from the decrease in the general level of interest rates in Korea in 2014. The increase in the average balance of investment financial assets principally reflected an increase in the volume of corporate bonds that we held as investment financial assets.

Interest on financial assets at fair value through profit or loss decreased 34.9% from 109 billion in 2013 to 71 billion in 2014, primarily due to a 29.7% decrease in the average balance of such assets from 3,753 billion in 2013 to 2,639 billion in 2014, which was enhanced by a 21 basis point decrease in the average yield on such assets from 2.90% in 2013 to 2.69% in 2014. The decrease in the volume of financial assets at fair value through profit or loss mainly reflected a decrease in the volume of debt securities issued by corporations and financial institutions that we held as financial assets at fair value through profit or loss. The decrease in the average yield on financial assets at fair value through profit or loss was primarily due to a decrease in the general level of interest rates in Korea in 2014.

For further information regarding our interest income, see Note 34-(1) of the notes to our consolidated financial statements included elsewhere in this annual report.

Interest expense. Interest expense decreased 5.7% from 5,001 billion in 2013 to 4,718 billion in 2014, primarily due to a 5.5% decrease in interest expense on deposits as well as a 7.9% decrease in interest expense on debentures. The average balance of interest-bearing liabilities increased 6.2% from 220,635 billion in 2013 to 234,412 billion in 2014, principally due to increases in the average balances of deposits and debentures. The effect of these increases was more than offset by a decrease of 26 basis points in the average cost of interest-bearing liabilities from 2.27% in 2013 to 2.01% in 2014, which was driven mainly by a decrease in the average cost of deposits.

The 5.5% decrease in interest expense on deposits from 3,650 billion in 2013 to 3,451 billion in 2014 resulted mainly from a 5.3% decrease in interest expense on time and savings deposits from 3,369 billion in 2013 to 3,190 billion in 2014.

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The decrease in interest expense on time and savings deposits was mainly due to a 32 basis point decrease in the average cost of such deposits from 2.39% in 2013 to 2.07% in 2014, which was partially offset by a 9.1% increase in the average balance of such deposits from 140,981 billion in 2013 to 153,789 billion in 2014. The decrease in the average cost of time and savings deposits was primarily attributable to the decrease in the general level of interest rates in Korea in 2014, while the increase in the average volume of such deposits mainly reflected customers' continuing preference for low-risk products and institutions in Korea in light of the continuing uncertainty in financial markets in 2014.

Overall, the average volume of our deposits increased 7.5% from 166,937 billion in 2013 to 179,471 billion in 2014, while the average cost of our deposits decreased by 27 basis points from 2.19% in 2013 to 1.92% in 2014.

The 7.9% decrease in interest expense on debentures from 961 billion in 2013 to 885 billion in 2014 was primarily due to a 56 basis point decrease in the average cost of debentures from 4.37% in 2013 to 3.81% in 2014, mainly caused by the lower interest rate environment in Korea in 2014. Such decrease was partially offset by a 5.6% increase in the average balance of debentures from 21,994 billion in 2013 to 23,218 billion in 2014, mainly caused by our increased use of debentures to meet our funding needs.

Net interest margin. Our overall net interest margin decreased from 1.94% in 2013 to 1.82% in 2014, as our net interest income remained stable at 4,493 billion in 2014 compared to 4,492 billion in 2013, while the average balance of our interest-earning assets increased 6.7% from 231,529 billion in 2013 to 247,145 billion in 2014. The growth in average interest-earning assets outpaced a 6.2% increase in average interest-bearing liabilities from 220,635 billion in 2013 to 234,412 billion in 2014, while the decrease in interest income was offset by the decrease in interest expense, resulting in stable net interest income. The decrease in net interest margin was driven mainly by a decrease in our net interest spread from 1.83% in 2013 to 1.72% in 2014. The decrease in our net interest spread reflected a larger decrease in the average yield on our interest-earning assets compared to the decrease in the average cost of our interest-bearing liabilities from 2013 to 2014, primarily due to the earlier adjustment of interest rates on interest-earning assets compared to interest rates on interest-bearing liabilities in the context of the lower interest rate environment in Korea in 2014.

Impairment Losses due to Credit Loss

Impairment losses due to credit loss include provisions for credit losses, provisions for guarantees and provisions for unused commitments, in each case net of reversal of provisions.

Comparison of 2015 to 2014

Our impairment losses due to credit loss decreased by 11.9% from 1,097 billion in 2014 to 966 billion in 2015, primarily due to a change in provisions for guarantees, net of reversal of provisions for guarantees, from net provisions of 14 billion in 2014 to a net reversal of provisions of 140 billion in 2015. Such change was mainly attributable to a decrease in the demand for guarantees from our corporate customers.

Our provisions for credit losses remained relatively stable at 1,116 billion in 2014 compared to 1,112 billion in 2015.

Comparison of 2014 to 2013

Our impairment losses due to credit loss decreased by 51.8% from 2,277 billion in 2013 to 1,097 billion in 2014, primarily due to a 49.2% decrease in provisions for credit losses, net of reversal of allowance for credit losses, from 2,199 billion in 2013 to 1,116 billion in 2014. Such decrease was mainly attributable to an overall improvement in the asset quality of our corporate loan portfolio, reflecting a decrease in delinquency rates.

Our net provisions for guarantees decreased by 84.9% from 93 billion in 2013 to 14 billion in 2014, due primarily to a decrease in the demand for refund guarantees from our shipbuilding customers.

Table of Contents**Allowance for Credit Losses**

For information on our allowance for credit losses, see Critical Accounting Policies Impairment of Loans and Allowance for Credit Losses and Item 4B. Business Overview Assets and Liabilities Loan Portfolio Allocation and Analysis of Allowances for Credit Losses.

Corporate Loans

The following table shows, for the periods indicated, certain information regarding our impaired corporate loans (including government loans and bank loans):

	As of December 31,		
	2013 ⁽¹⁾	2014 ⁽¹⁾	2015
Impaired corporate loans as a percentage of total corporate loans	4.1%	3.2%	2.1%
Allowance for credit losses for corporate loans as a percentage of total corporate loans	2.5	1.8	1.3
Allowance for credit losses for corporate loans as a percentage of impaired corporate loans	59.8	55.9	63.0
Net charge-offs as a percentage of total corporate loans	1.1	0.9	0.7

⁽¹⁾ The amounts for 2013 and 2014 include only continuing operations.

During 2015, impaired corporate loans, allowance for credit losses for corporate loans and net charge-offs, each as a percentage of total corporate loans, decreased due to an improvement in the overall credit quality of our corporate loans, which was enhanced by an increase in the total amount of our corporate loans from 121,746 billion as of December 31, 2014 to 127,622 billion as of December 31, 2015. However, allowance for credit losses for corporate loans as a percentage of impaired corporate loans increased during 2015 as the degree of overall impairment of our impaired corporate loans was more severe in 2015 compared to 2014, as a result of which the decrease in allowance for credit losses for corporate loans from 2,150 billion as of December 31, 2014 to 1,700 billion as of December 31, 2015 was outpaced by the decrease in impaired corporate loans from 3,847 billion as of December 31, 2014 to 2,697 billion as of December 31, 2015.

During 2014, impaired corporate loans, allowance for credit losses for corporate loans and net charge-offs, each as a percentage of total corporate loans, decreased due to an improvement in the overall credit quality of our corporate loans, which was enhanced by an increase in the total amount of our corporate loans from 118,516 billion as of December 31, 2013 to 121,746 billion as of December 31, 2014. Allowance for credit losses for corporate loans as a percentage of impaired corporate loans also decreased during 2014 as the degree of overall impairment of our impaired corporate loans was not as severe in 2014 compared to 2013, resulting in a decrease in the level of our allowance for credit losses for corporate loans from 2,932 billion as of December 31, 2013 to 2,150 billion as of December 31, 2014.

Consumer Loans and Credit Card Balances

The following table shows, for the periods indicated, certain information regarding our impaired loans to the consumer sector, excluding credit card balances:

	As of December 31,		
	2013 ⁽¹⁾	2014 ⁽¹⁾	2015
Impaired consumer loans as a percentage of total consumer loans	0.9%	0.6%	0.4%
Allowance for credit losses for consumer loans as a percentage of total consumer loans	0.4	0.4	0.2
Allowance for credit losses for consumer loans as a percentage of impaired consumer loans	49.8	66.3	57.1
Net charge-offs of consumer loans as a percentage of total consumer loans	0.1	0.1	0.2

⁽¹⁾ The amounts for 2013 and 2014 include only continuing operations.

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During 2015, impaired consumer loans and allowance for credit losses for consumer loans, each as a percentage of total consumer loans, decreased mainly as a result of an improvement in the overall credit quality of our consumer loans, which was enhanced by an increase in the total amount of our consumer loans from 80,217 billion as of December 31, 2014 to 93,448 billion as of December 31, 2015. Allowance for credit losses for consumer loans as a percentage of impaired consumer loans also decreased, as the degree of impairment of our impaired consumer loans was not as severe in 2015 compared to 2014, including as a result of increased charge-offs of impaired consumer loans in 2015. Due mainly to such increased charge-offs, net charge-offs of consumer loans as a percentage of total consumer loans increased.

During 2014, impaired consumer loans as a percentage of total consumer loans decreased mainly as a result of an improvement in the overall credit quality of our consumer loans, which was enhanced by an increase in the total amount of our consumer loans from 71,041 billion as of December 31, 2013 to 80,217 billion as of December 31, 2014. However, allowance for credit losses for consumer loans as a percentage of impaired consumer loans increased, as the degree of overall impairment of our impaired consumer loans (particularly general purpose household loans) became more severe in 2014 compared to 2013, resulting in an increase in the level of our allowance for credit losses for consumer loans from 300 billion as of December 31, 2013 to 330 billion as of December 31, 2014. Allowance for credit losses for consumer loans as a percentage of total consumer loans remained stable due to the increase in the total amount of our consumer loans.

The following table shows, for the periods indicated, certain information regarding our impaired credit card balances:

	As of December 31,		
	2013 ⁽¹⁾	2014 ⁽¹⁾	2015
Impaired credit card balances as a percentage of total credit card balances ⁽²⁾	1.8%	2.6%	2.4%
Allowance for credit losses for credit card balances as a percentage of total credit card balances ⁽²⁾	2.5	2.5	2.4
Allowance for credit losses for credit card balances as a percentage of impaired credit card balances ⁽²⁾	141.3	97.7	101.4
Net charge-offs as a percentage of total credit card balances ⁽²⁾	3.3	2.6	2.7

⁽¹⁾ The amounts for 2013 and 2014 include only continuing operations.

⁽²⁾ Includes corporate credit card balances.

During 2015, impaired credit card balances and allowance for credit losses for credit card balances, each as a percentage of total credit card balances, decreased mainly as a result of an improvement in the overall asset quality of our credit card portfolio, the effect of which was enhanced by an increase in the total amount of our credit card balances from 5,114 billion as of December 31, 2014 to 6,099 billion as of December 31, 2015. However, allowance for credit losses for credit card balances as a percentage of impaired credit card balances increased, due mainly to a deterioration in the overall mix of our impaired credit card balances, as a result of which the growth in impaired credit card balances from 132 billion as of December 31, 2014 to 144 billion as of December 31, 2015 was outpaced by the increase in the allowance for credit losses for credit card balances from 129 billion as of December 31, 2014 to 146 billion as of December 31, 2015.

During 2014, impaired credit card balances as a percentage of total credit card balances increased due to the inclusion of restructured loans in impaired credit card balances starting from 2014. However, we calculate allowance for credit losses for credit card balances based on a statistical analysis of historical information for all credit card receivables. There was an improvement in the overall mix of our non-impaired credit card balances in 2014 compared to 2013, including as a result of an increase in new credit card balances as well as a reduction in the average number of days that outstanding credit card balances were in arrears. Due to such improvement, our overall allowance for credit losses on credit card balances increased at a slower pace than the increase in impaired credit card balances. As a result, allowance for credit losses for credit card balances as a percentage of impaired credit card balances decreased, while such allowance as a percentage of total credit card balances remained stable.

Table of Contents**Net Fees and Commissions Income**

The following table shows, for the periods indicated, the components of our net fees and commissions income:

	Year ended December 31,			Percentage change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Fees and commissions income	1,565	1,598	1,757	2.1%	9.9%
Fees and commissions expense	(639)	(681)	(781)	6.6	14.7
Total fees and commissions income, net	926	917	976	(1.0)%	6.4%

Comparison of 2015 to 2014

Our net fees and commissions income increased 6.4% from 917 billion in 2014 to 976 billion in 2015, as a 9.9% increase in fees and commissions income from 1,598 billion in 2014 to 1,757 billion in 2015 outpaced a 14.7% increase in fees and commissions expense from 681 billion in 2014 to 781 billion in 2015. The 9.9% increase in fees and commissions income was mainly the result of a 14.1% increase in credit card fees from 747 billion in 2014 to 852 billion in 2015, which primarily reflected an increase in the average volume of credit card receivables. The 14.7% increase in fees and commissions expense was primarily due to a 16.0% increase in credit card commissions from 555 billion in 2014 to 644 billion in 2015, which mainly reflected the increase in average volume of credit card receivables.

For further information regarding our net fees and commission income, see Note 35 of the notes to our consolidated financial statements included elsewhere in this annual report.

Comparison of 2014 to 2013

Our net fees and commissions income decreased 1.0% from 926 billion in 2013 to 917 billion in 2014, as a 6.6% increase in fees and commissions expense from 639 billion in 2013 to 681 billion in 2014 outpaced a 2.1% increase in fees and commissions income from 1,565 billion in 2013 to 1,598 billion in 2014. The 6.6% increase in fees and commissions expense was primarily due to an 8.4% increase in credit card commissions from 512 billion in 2013 to 555 billion in 2014, which mainly reflected an increase in the volume of credit card transactions as well as an increase in credit card issuances. The 2.1% increase in fees and commissions income was mainly the result of an 11.7% increase in credit card fees from 669 billion in 2013 to 747 billion in 2014, which primarily reflected the increase in the volume of credit card transactions and the increase in credit card issuances.

For further information regarding our net fees and commission income, see Note 35 of the notes to our consolidated financial statements included elsewhere in this annual report.

Net Gain on Financial Assets

The following table shows, for the periods indicated, the components of our net gain on financial assets:

	Year ended December 31,			Percentage change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Gain (loss) on financial assets at fair value through profit or loss, net	124	190	240	53.2%	26.3%
Gain (loss) on available-for-sale financial assets, net ⁽¹⁾	(85)	(69)	(3)	(18.8)	(95.7)
Total net gain (loss) on financial assets	39	121	237	210.3%	95.9%

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⁽¹⁾ Includes impairment losses on available-for-sale financial assets of 145 billion in 2013, 241 billion in 2014 and 135 billion in 2015.

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Our net gain on financial assets increased 95.9% from 121 billion in 2014 to 237 billion in 2015, primarily as a result of a 95.7% decrease in net loss on available-for-sale financial assets from 69 billion in 2014 to 3 billion in 2015, the effect of which was enhanced by a 26.3% increase in net gain on financial assets at fair value through profit or loss from 190 billion in 2014 to 240 billion in 2015.

The 95.7% decrease in net loss on available-for-sale financial assets was principally due to a 44.0% decrease in impairment loss on available-for-sale securities from 241 billion in 2014 to 135 billion in 2015, which mainly reflected significant impairment losses recognized on our holdings of equity securities of Taihan Electric Wire Co., Ltd. in 2014, which were not repeated to such degree in 2015. Such decrease was partially offset by a 24.4% decrease in gains on transaction of available-for-sale securities from 172 billion in 2014 to 130 billion in 2015, which was attributable mainly to a decrease in gains on transaction of beneficiary certificates in local currency.

The 26.3% increase in net gain on financial assets at fair value through profit or loss was principally due to a 146.4% increase in net gain on financial assets designated at fair value through profit or loss from 28 billion in 2014 to 69 billion in 2015. The increase in net gain on financial assets designated at fair value through profit or loss resulted mainly from a four-fold increase in net gain on equity-linked securities from 17 billion in 2014 to 68 billion in 2015.

For further information regarding our net gain (loss) on financial assets at fair value through profit or loss, see Note 37 of the notes to our consolidated financial statements included elsewhere in this annual report.

Unrealized gains and losses (other than impairment losses) on available-for-sale financial assets are recorded in our statement of financial position as part of accumulated other comprehensive income, under other equity. In 2015, we recognized a net gain on valuation of available-for-sale financial assets of 72 billion as part of other comprehensive income (loss) net of tax.

Comparison of 2014 to 2013

Our net gain on financial assets increased 210.3% from 39 billion in 2013 to 121 billion in 2014, primarily as a result of a 53.2% increase in net gain on financial assets at fair value through profit or loss from 124 billion in 2013 to 190 billion in 2014, the effect of which was enhanced by an 18.8% decrease in net loss on available-for-sale financial assets from 85 billion in 2013 to 69 billion in 2014.

The 53.2% increase in net gain on financial assets at fair value through profit or loss was principally due to a change in net gain (loss) on financial assets designated at fair value through profit or loss, from a net loss of 6 billion in 2013 to a net gain of 28 billion in 2014, which was enhanced by a 24.6% increase in gains on financial assets held for trading from 130 billion in 2013 to 162 billion in 2014. The change in net gain (loss) on financial assets designated at fair value through profit or loss resulted mainly from a change in net gain (loss) on compound financial instruments from a net loss of 8 billion in 2013 to a net gain of 17 billion in 2014, as well as a 266.7% increase in gain on other financial instruments from 3 billion in 2013 to 11 billion in 2014.

For further information regarding our net gain (loss) on financial assets at fair value through profit or loss, see Note 37 of the notes to our consolidated financial statements included elsewhere in this annual report.

The 18.8% decrease in net loss on available-for-sale financial assets was principally due to a 191.5% increase in gains on transactions of available-for-sale securities from 59 billion in 2013 to 172 billion in 2014, which mainly reflected an increase in gains on transactions of money market funds and beneficiary certificates. Such decrease was partially offset by a 66.2% increase in impairment loss on available-for-sale securities from 145 billion in 2013 to 241 billion in 2014, which was attributable mainly to an increase in impairment losses recognized on our holdings of the equity securities of Taihan Electric Wire Co., Ltd.

In 2014, we recognized a net loss on valuation of available-for-sale financial assets of 76 billion as part of other comprehensive income (loss) net of tax.

Table of Contents**General and Administrative Expenses**

The following table shows, for the periods indicated, the components of our general and administrative expenses:

	Year ended December 31,			Percentage change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Employee benefits	1,714	1,748	1,853	2.0%	6.0%
Depreciation and amortization	233	224	237	(3.9)	5.8
Other general and administrative expenses	956	987	1,061	3.2	7.4
General and administrative expenses	2,902	2,959	3,151	2.0%	6.5%

Comparison of 2015 to 2014

Our general and administrative expenses increased 6.5% from 2,959 billion in 2014 to 3,151 billion in 2015, primarily as a result of a 6.0% increase in employee benefits from 1,748 billion in 2014 to 1,853 billion in 2015, as well as a 7.4% increase in other general and administrative expenses from 987 billion in 2014 to 1,061 billion in 2015. The 6.0% increase in employee benefits was principally due to a 5.6% increase in short term employee salaries from 1,196 billion in 2014 to 1,263 billion in 2015, which mainly reflected an increase in the average wages of our contractual employees. The 7.4% increase in other general and administrative expenses was mainly due to an 11.3% increase in rent from 266 billion in 2014 to 296 billion in 2015, as well as an 8.8% increase in service charges from 215 billion in 2014 to 234 billion in 2015. The increase in rent was primarily due to leases of new locations for branches, including at Incheon Airport.

For further information regarding our general and administrative expenses, see Note 40-(1) of the notes to our consolidated financial statements included elsewhere in this annual report.

Comparison of 2014 to 2013

Our general and administrative expenses increased 2.0% from 2,902 billion in 2013 to 2,959 billion in 2014, principally as a result of a 2.0% increase in employee benefits from 1,714 billion in 2013 to 1,748 billion in 2014, as well as a 3.2% increase in other general and administrative expenses from 956 billion in 2013 to 987 billion in 2014. The 2.0% increase in employee benefits was primarily due to a 4.0% increase in other short term employee benefits from 346 billion in 2013 to 360 billion in 2014, principally reflecting an increase in miscellaneous physical training fringe benefits, as well as a 20.7% increase in redundancy payments from 58 billion in 2013 to 70 billion in 2014, resulting mainly from an increase in the number of retiring branch managers in connection with the wage peak system. The 3.2% increase in other general and administrative expenses was principally due to a 15.2% increase in rent from 231 billion in 2013 to 266 billion in 2014, resulting mainly from leases of new locations for branches, including at Gimpo Airport.

For further information regarding our general and administrative expenses, see Note 40-(1) of the notes to our consolidated financial statements included elsewhere in this annual report.

Net Other Operating Expense

The following table shows, for the periods indicated, the components of our net other operating expenses:

	Year ended December 31,			Percentage change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Other operating income	3,107	2,257	3,782	(27.4)%	67.6%
Other operating expenses	(3,233)	(2,931)	(4,392)	(9.3)	49.8
Total net other operating expenses	(126)	(674)	(610)	434.9%	(9.5)%

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Our net other operating expenses decreased 9.5% from 674 billion in 2014 to 610 billion in 2015, as the effect of a 49.8% increase in other operating expenses from 2,931 billion in 2014 to 4,392 billion in 2015 was more than offset by a 67.6% increase on other operating income from 2,257 billion in 2014 to 3,782 billion in 2015.

Other operating income includes principally gains on transaction of foreign exchange, gains on disposal of loans and receivables, gains on fair value of hedged items and miscellaneous other operating income. The 67.6% increase in other operating income was attributable mainly to a 77.9% increase in gains on transaction of foreign exchange from 1,884 billion in 2014 to 3,352 billion in 2015. This increase, which was principally due to higher exchange rate volatility in 2015, was more than offset by an increase in loss on transaction of foreign exchange, which is recorded as part of other operating expenses. On a net basis, our net loss on transaction of foreign exchange increased 310.5% from 19 billion in 2014 to 78 billion in 2015.

Other operating expenses include principally losses on transaction of foreign exchange, contributions to miscellaneous funds, deposit insurance premiums, losses on hedging derivatives and miscellaneous other operating expenses. The 49.8% increase in other operating expenses was primarily the result of an 80.3% increase in loss on transaction of foreign exchange from 1,902 billion in 2014 to 3,430 billion in 2015, which reflected higher exchange rate volatility during 2015. This increase was partially offset by an increase in gains on transaction of foreign exchange, which is recorded as part of other operating income as discussed above. The increase in loss on transaction of foreign exchange was offset in part by a 20.8% decrease in other miscellaneous operating expenses from 293 billion in 2014 to 232 billion in 2015, which was primarily due to a 28.9% decrease in amounts payable to other credit financial institutions under the terms of borrower debt restructuring programs from 218 billion in 2014 to 155 billion in 2015.

For further information regarding our net other operating expense, see Notes 40-(2) and (3) of the notes to our consolidated financial statements included elsewhere in this annual report.

Comparison of 2014 to 2013

Our net other operating expenses increased 434.9% from 126 billion in 2013 to 674 billion in 2014, as the effect of a 9.3% decrease in other operating expenses from 3,233 billion in 2013 to 2,931 billion in 2014 was more than offset by a 27.4% decrease in other operating income from 3,107 billion in 2013 to 2,257 billion in 2014.

The 27.4% decrease in other operating income was attributable mainly to a 26.8% decrease in gains on transaction of foreign exchange from 2,573 billion in 2013 to 1,884 billion in 2014. This decrease, which was principally due to reduced exchange rate volatility in 2014, was partially offset by a decrease in loss on transaction of foreign exchange, which is recorded as part of other operating expenses. On a net basis, our net gain (loss) on transaction of foreign exchange changed from a net gain of 133 billion in 2013 to a net loss of 19 billion in 2014. The decrease in gains on transaction of foreign exchange was enhanced by a 52.5% decrease in other miscellaneous operating income from 280 billion in 2013 to 133 billion in 2014, which was attributable mainly to a 52.3% decrease in amounts to be received from other creditor financial institutions under the terms of borrower debt restructuring programs from 216 billion in 2013 to 103 billion in 2014.

The 9.3% decrease in other operating expenses was primarily the result of a 22.0% decrease in loss on transaction of foreign exchange from 2,439 billion in 2013 to 1,902 billion in 2014, which reflected reduced exchange rate volatility during 2014. This decrease was more than offset by a decrease in gains on transaction of foreign exchange, which is recorded as part of other operating income as discussed above. The decrease in loss on transaction of foreign exchange was enhanced by an 82.5% decrease in losses related to derivatives from 120 billion in 2013 to 21 billion in 2014, which also mainly reflected reduced exchange rate volatility during 2014. Such decreases were offset in part by a more than three-fold increase in other miscellaneous operating expenses from 74 billion in 2013 to 293 billion in 2014. Such increase in other miscellaneous operating income was primarily due to a more than six-fold increase in amounts payable to other creditor financial institutions under the terms of borrower debt restructuring programs from 35 billion in 2013 to 218 billion in 2014.

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For further information regarding our net other operating expense, see Notes 40-(2) and (3) of the notes to our consolidated financial statements included elsewhere in this annual report.

Other Net Non-operating Income

The following table shows, for the periods indicated, the components of our other net non-operating income:

	Year ended December 31,			Percentage change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Other non-operating income	145	134	273	(7.6)%	103.7%
Other non-operating expenses	(96)	(130)	(102)	35.4	(21.5)
Total other net non-operating income	49	4	171	(91.8)%	4,175.0%

Comparison of 2015 to 2014

Our other net non-operating income increased significantly from 4 billion in 2014 to 171 billion in 2015, as the effect of a 103.7% increase in other non-operating income from 134 billion in 2014 to 273 billion in 2015 was enhanced by a 21.5% decrease in other non-operating expenses from 130 billion in 2014 to 102 billion in 2015.

Other non-operating income includes principally gains on disposal of investment in joint ventures and associates, gains on disposal of premises and equipment and other assets, rental income and miscellaneous other non-operating income. The 103.7% increase in other non-operating income was attributable mainly to a 109.7% increase in miscellaneous other non-operating income from 93 billion in 2014 to 195 billion in 2015, which was enhanced by a 100.0% increase in gains on disposal of investment in joint ventures and associates from 31 billion in 2014 to 62 billion in 2015. The increase in miscellaneous other non-operating income mainly reflected a gain of 133 billion recognized in 2015 as a result of a judgment in favor of us and the other plaintiffs in a lawsuit against member companies of the Samsung Group for payment of guarantees they had provided to the plaintiffs in respect of certain obligations of Samsung Motors, a former affiliate. The increase in gains on disposal of investment in joint ventures and associates was attributable mainly to the recognition of negative goodwill in connection with our conversion of certain convertible bonds held as investment assets in 2015.

Other non-operating expenses include principally donations, expenses on investment properties, losses on disposal of investment in joint ventures and associates and miscellaneous other non-operating expenses. The 21.5% decrease in other non-operating expenses was attributable mainly to a 30.3% decrease in miscellaneous other non-operating expenses from 66 billion in 2014 to 46 billion in 2015.

Comparison of 2014 to 2013

Our other net non-operating income decreased 91.8% from 49 billion in 2013 to 4 billion in 2014, as the effect of a 35.4% increase in other non-operating expenses from 96 billion in 2013 to 130 billion in 2014 was enhanced by a 7.6% decrease in other non-operating income from 145 billion in 2013 to 134 billion in 2014.

The 7.6% decrease in other non-operating income was attributable mainly to a 15.5% decrease in miscellaneous other non-operating income from 110 billion in 2013 to 93 billion in 2014.

The 35.4% increase in other non-operating expenses was attributable mainly to a 106.3% increase in miscellaneous other non-operating expenses from 32 billion in 2013 to 66 billion in 2014.

Income Tax Expense

Our income tax expense is calculated by adding or subtracting changes in deferred income tax liabilities and assets to income tax amounts payable for the period. Deferred tax assets are recognized for deductible temporary

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differences, including operating losses and tax credit carry-forwards, while deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are those between the carrying values of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets, including the carry-forwards of unused tax losses, are recognized to the extent it is probable that the deferred tax assets will be realized.

Comparison of 2015 to 2014

Income tax expense increased 30.9% from 288 billion in 2014 to 377 billion in 2015, mainly as a result of an increase in our net income before income tax expense, the effect of which was offset in part by a decrease in non-deductible expenses. The statutory tax rate was 24.2% for pre-tax income over 20 billion in 2014 and 2015. Our effective tax rate was 34.5% in 2014 and 25.9% in 2015. See Note 42 of the notes to our consolidated financial statements included elsewhere in this annual report.

Comparison of 2014 to 2013

Income tax expense increased 722.9 % from 35 billion in 2013 to 288 billion in 2014, mainly as a result of an increase in our net income before income tax expense, as well as an increase in non-deductible expenses. The statutory tax rate was 24.2% for pre-tax income over 20 billion in 2013 and 2014. Our effective tax rate was 12.2% in 2013 and 34.5 % in 2014. See Note 42 of the notes to our consolidated financial statements included elsewhere in this annual report.

Net Income from Continuing Operations

Due to the factors described above, we recorded net income from continuing operations of 1,075 billion in 2015, compared to 546 billion in 2014 and 253 billion in 2013.

Net Income (Loss) from Discontinued Operations

The Korean government, which currently owns 51.06% of our outstanding common stock through the KDIC, has been implementing a privatization plan with respect to Woori Finance Holdings and its former subsidiaries, including us. See Item 4A. History and Development of the Company Privatization Plan. In light of the dispositions of such former subsidiaries under the privatization plan, which were completed during 2014, Kwangju Bank, Kyongnam Bank, Woori Investment & Securities, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I were classified as a disposal group held for distribution or sale, and their operations were accounted for as discontinued operations, in our consolidated financial statements as of and for the year ended December 31, 2013, as well as in our consolidated statement of comprehensive income for the year ended December 31, 2014, included in this annual report.

For further information regarding the accounting treatment of our discontinued operations, see Notes 46 and 47 of the notes to our consolidated financial statements included elsewhere in this annual report.

Comparison of 2015 to 2014

We had no net income (loss) from discontinued operations in 2015, compared to net income from discontinued operations of 662 billion in 2014.

Comparison of 2014 to 2013

Net income (loss) from discontinued operations changed from a net loss of 966 billion in 2013 to net income of 662 billion in 2014. Such change was attributable primarily to impairment losses of 793 billion recognized in 2013 on the disposal group held for sale (comprising Woori Investment & Securities, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I), as well as certain income tax expense amounts recognized in 2013 in connection with the planned spin-off of the disposal group held for distribution (comprising Kwangju Bank and Kyongnam Bank), both of which were not repeated in 2014. The effect of these changes was enhanced by the recognition in 2014 of 577 billion of income tax benefit with respect to the disposal group held for distribution, due mainly to the reversal in 2014 of the income tax

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expense amounts recognized in 2013 in connection with the planned spin-off of such disposal group, as a result of the adoption and effectiveness prior to such spin-off in May 2014 of an amendment to the Tax Reduction and Exemption Control Act of Korea that allowed the spin-off to be recognized as a tax-free transaction.

Net Income (Loss)

Overall, we recorded net income of 1,075 billion in 2015, compared to net income of 1,208 billion in 2014 and a net loss of 713 billion in 2013.

Results by Principal Business Segment

We compile and analyze financial information for our business segments based upon segment information used by our management for the purposes of resource allocation and performance evaluation. We currently have six operational business segments: consumer banking, corporate banking, investment banking, capital markets, credit card and other operations.

The following table shows, for the periods indicated, our results of operations by segment, excluding discontinued operations for 2013 and 2014:

	Net income			Total operating income ⁽¹⁾		
	Year ended December 31,			Year ended December 31,		
	2013	2014	2015	2013	2014	2015
	(in billions of Won)					
Consumer banking	110	84	26	159	127	54
Corporate banking	(26)	516	317	(24)	673	418
Investment banking	(23)	(51)	165	(68)	(108)	174
Capital markets	36	(8)	11	13	11	15
Credit card	(14)	103	117	(19)	133	155
Other operations	1,535	1,740	552	364	250	551
Total ⁽²⁾	1,618	2,384	1,188	425	1,086	1,367

(1) Comprises net interest income, net non-interest income, administrative expenses and impairment losses due to credit losses.

(2) Before adjustments for inter-segment transactions (other than inter-segment loans and borrowings) and certain differences in classification under our management reporting system.

Table of Contents**Consumer Banking**

This segment consists of our consumer banking operations. The following table shows, for the periods indicated, our income statement data for this segment:

	Year ended December 31,			Percentage change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Income statement data					
Interest income	3,233	3,032	2,851	(6.2)%	(6.0)%
Interest expense	(1,653)	(1,591)	(1,228)	(3.8)	(22.8)
Inter-segment	(75)	(49)	(334)	(34.7)	581.6
Net interest income	1,505	1,392	1,289	(7.5)	(7.4)
Non-interest income	646	724	886	12.1	22.4
Non-interest expense	(244)	(250)	(353)	2.5	41.2
Inter-segment	14	20	22	42.9	10.0
Net non-interest income	416	494	555	18.8	12.3
Administrative expenses	(1,643)	(1,700)	(1,782)	3.5	4.8
Impairment losses due to credit loss and others ⁽¹⁾	(119)	(59)	(8)	(50.4)	(86.4)
Total other expenses	(1,762)	(1,759)	(1,790)	(0.2)	1.8
Operating income	159	127	54	(20.1)	(57.5)
Net non-operating loss	(14)	(15)	(19)	7.1	26.7
Net income before tax	145	111	35	(23.5)	(68.5)
Income tax expense	(35)	(27)	(9)	(22.9)	(66.7)
Net income	110	84	26	(23.6)%	(69.1)%

⁽¹⁾ Consist of impairment losses due to credit loss, gain (loss) on loan sales and provisions (reversal of provisions).
Comparison of 2015 to 2014

Our net income before tax for this segment decreased 68.5% from 111 billion in 2014 to 35 billion in 2015. Net income after tax also decreased 69.1% from 84 billion in 2014 to 26 billion in 2015.

Interest income for this segment decreased 6.0% from 3,032 billion in 2014 to 2,851 billion in 2015, primarily due to a decrease in the average yield on general purpose household loans (including home equity loans), mainly reflecting the decrease in the general level of interest rates in Korea in 2015, which was partially offset by an increase in the average balance of such loans. The effect of such decrease in average yield was also offset in part by an increase in the average balance of mortgage loans, mainly reflecting increased demand for such loans, which in turn was partially offset by a decrease in the average yield on such loans.

Interest expense attributable to this segment decreased 22.8% from 1,591 billion in 2014 to 1,228 billion in 2015. The decrease in interest expense was primarily due to a decrease in the average cost of time and savings deposits held by consumers, which was mainly attributable to the decrease in the general level of interest rates in Korea in 2015.

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Net interest expense from inter-segment transactions for this segment increased 581.6% from 49 billion in 2014 to 334 billion in 2015, principally as a result of increased funding needs for this segment in light of the increase in the average volume of mortgage loans.

Impairment losses due to credit loss and others for this segment decreased 86.4% from 59 billion in 2014 to 8 billion in 2015, primarily as a result of a decrease in provisions for credit losses, net of reversal of allowance for credit losses, mainly reflecting an overall improvement in the asset quality of our consumer loan portfolio.

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Non-interest income attributable to this segment increased 22.4% from 724 billion in 2014 to 886 billion in 2015, primarily due to an increase in gains on transaction of foreign exchange.

Non-interest expense for this segment increased 41.2% from 250 billion in 2014 to 353 billion in 2015, primarily as a result of an increase in losses on transaction of foreign exchange.

Administrative expenses attributable to this segment increased 4.8% from 1,700 billion in 2014 to 1,782 billion in 2015, primarily due to an increase in salaries paid to our employees in this segment.

Comparison of 2014 to 2013

Our net income before tax for this segment decreased 23.5% from 145 billion in 2013 to 111 billion in 2014. Net income after tax also decreased 23.6% from 110 billion in 2013 to 84 billion in 2014.

Interest income for this segment decreased 6.2% from 3,233 billion in 2013 to 3,032 billion in 2014, primarily due to a decrease in the average yield on general purpose household loans (including home equity loans), mainly reflecting the decrease in the general level of interest rates in Korea in 2014, as well as a decrease in the average balance of such loans. The effect of such decreases was offset in part by an increase in the average balance of mortgage loans, mainly reflecting increased demand for such loans, which in turn was partially offset by a decrease in the average yield on such loans.

Interest expense attributable to this segment decreased 3.8% from 1,653 billion in 2013 to 1,591 billion in 2014. The decrease in interest expense was primarily due to a decrease in the average cost of time and savings deposits held by consumers, which was mainly attributable to the decrease in the general level of interest rates in Korea in 2014.

Impairment losses due to credit loss and others for this segment decreased 50.4% from 119 billion in 2013 to 59 billion in 2014, primarily as a result of a decrease in provisions for credit losses, net of reversal of allowance for credit losses, mainly reflecting an overall improvement in the asset quality of our consumer loan portfolio, including in particular our mortgage loan portfolio.

Non-interest income attributable to this segment increased 12.1% from 646 billion in 2013 to 724 billion in 2014, primarily due to an increase in gains on transaction of foreign exchange.

Non-interest expense for this segment increased 2.5% from 244 billion in 2013 to 250 billion in 2014, primarily as a result of an increase in losses on transaction of foreign exchange.

Administrative expenses attributable to this segment increased 3.5% from 1,643 billion in 2013 to 1,700 billion in 2014, primarily due to an increase in salaries paid to our employees in this segment.

Table of Contents**Corporate Banking**

This segment consists of our corporate banking (including small- and medium-sized enterprise banking and large corporate banking) operations. The following table shows, for the periods indicated, our income statement data for this segment:

	Year ended December 31,			Percentage change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Income statement data					
Interest income	3,833	3,637	3,256	(5.1)%	(10.5)%
Interest expense	(2,283)	(2,192)	(1,880)	(4.0)	(14.2)
Inter-segment	397	297	324	(25.2)	9.1
Net interest income	1,947	1,742	1,700	(10.5)	(2.4)
Non-interest income	519	439	503	(15.4)	14.6
Non-interest expense	(100)	(14)	(26)	(86.0)	85.7
Inter-segment	25	29	37	16.0	27.6
Net non-interest income	444	454	514	2.3	13.2
Administrative expenses	(832)	(835)	(926)	0.4	10.9
Impairment losses due to credit loss and others ⁽¹⁾	(1,583)	(688)	(870)	(56.5)	26.5
Total other expenses	(2,415)	(1,523)	(1,796)	(36.9)	17.9
Operating income (loss)	(24)	673	418	N/M⁽²⁾	(37.9)
Net non-operating loss	(10)	(3)	(2)	(70.0)	(33.3)
Net income (loss) before tax	(34)	670	416	N/M⁽²⁾	(37.9)
Income tax expense	8	(154)	(99)	N/M ⁽²⁾	(35.7)
Net income (loss)	(26)	516	317	N/M⁽²⁾	(38.6)

⁽¹⁾ Consist of impairment losses due to credit loss, gain (loss) on loan sales and provisions (reversal of provisions).

⁽²⁾ N/M = not meaningful.

Comparison of 2015 to 2014

Our net income (loss) before tax for this segment decreased 37.9% from 670 billion in 2014 to 416 billion in 2015. Net income (loss) after tax also decreased 38.6% from 516 billion in 2014 to 317 billion in 2015.

Interest income for this segment decreased 10.5% from 3,637 billion in 2014 to 3,256 billion in 2015, primarily due to a decrease in average yields on commercial and industrial and other commercial loans, mainly reflecting the decrease in the general level of interest rates in Korea in 2015, the effect of which was partially offset by an increase in the average balance of such loans.

Interest expense attributable to this segment, which consists mainly of interest expense on corporate deposits, borrowings and debentures, decreased 14.2% from 2,192 billion in 2014 to 1,880 billion in 2015. The decrease in interest expense was primarily due to a decrease in the average cost of time and savings deposits held by corporate customers, which was enhanced by decreases in the average cost of corporate debentures and borrowings, all of which were mainly attributable to the decrease in the general level of interest rates in Korea in 2015.

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Net interest income from inter-segment transactions for this segment increased 9.1% from 297 billion in 2014 to 324 billion in 2015, principally as a result of an increase in the average balance of loans to other segments, which mainly reflected increased funding needs of the consumer banking segment.

Impairment losses due to credit loss and others for this segment increased 26.5% from 688 billion in 2014 to 870 billion in 2015, primarily as a result of an increase in provisions for commercial and industrial and other commercial loans, mainly reflecting an increase in the outstanding balance of such loans.

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Non-interest income attributable to this segment increased 14.6% from 439 billion in 2014 to 503 billion in 2015, primarily due to an increase in gains on transaction of foreign exchange.

Non-interest expense for this segment increased 85.7% from 14 billion in 2014 to 26 billion in 2015, primarily as a result of an increase in losses on transaction of foreign exchange.

Administrative expenses attributable to this segment increased 10.9% from 835 billion in 2014 to 926 billion in 2015, primarily due to an increase in salaries paid to our employees in this segment.

Comparison of 2014 to 2013

Our net income (loss) before tax for this segment changed from a net loss of 34 billion in 2013 to net income of 670 billion in 2014. Net income (loss) after tax also changed from a net loss of 26 billion in 2013 to net income of 516 billion in 2014.

Interest income for this segment decreased 5.1% from 3,833 billion in 2013 to 3,637 billion in 2014, primarily due to a decrease in average yields on commercial and industrial and other commercial loans, mainly reflecting the decrease in the general level of interest rates in Korea in 2014, the effect of which was partially offset by an increase in the average balance of commercial and industrial loans.

Interest expense attributable to this segment decreased 4.0% from 2,283 billion in 2013 to 2,192 billion in 2014. The decrease in interest expense was primarily due to a decrease in the average cost of time and savings deposits held by corporate customers, which was mainly attributable to the decrease in the general level of interest rates in Korea in 2014.

Net interest income from inter-segment transactions for this segment decreased 25.2% from 397 billion in 2013 to 297 billion in 2014, principally as a result of a decrease in the average yield on loans to other segments, which mainly reflected the decrease in the general level of interest rates in Korea in 2014.

Impairment losses due to credit loss and others for this segment decreased 56.5% from 1,583 billion in 2013 to 688 billion in 2014, primarily as a result of a decrease in provisions for credit losses, net of reversal of allowance for credit losses, mainly reflecting an overall improvement in the asset quality of our corporate loan portfolio.

Non-interest income attributable to this segment decreased 15.4% from 519 billion in 2013 to 439 billion in 2014, primarily due to decreases in gains on transaction of foreign exchange and commission received on foreign exchange.

Non-interest expense for this segment decreased 86.0% from 100 billion in 2013 to 14 billion in 2014, primarily as a result of a decrease in losses on transaction of foreign exchange.

Administrative expenses attributable to this segment remained relatively stable at 835 billion in 2014 compared to 832 billion in 2013.

Table of Contents**Investment Banking**

This segment consists of our investment banking operations, including principally project finance, structured finance, merger and acquisition financing and financial advisory services. The following table shows, for the periods indicated, our income statement data for this segment:

	Year ended December 31,			Percentage change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Income statement data					
Interest income	257	199	155	(22.6)%	(22.1)%
Interest expense	(1)			(100.0)	
Inter-segment	(236)	(198)	(149)	(16.1)	(24.7)
Net interest income	20	1	6	(95.0)	500.0
Non-interest income	402	348	490	(13.4)	40.8
Non-interest expense	(334)	(282)	(375)	(15.6)	33.0
Inter-segment					
Net non-interest income	68	66	115	(2.9)	74.2
Administrative expenses	(17)	(14)	(15)	(17.7)	7.1
Impairment losses due to credit loss and others ⁽¹⁾	(139)	(161)	68	15.8	N/M ⁽²⁾
Total other expenses	(156)	(175)	53	12.3	N/M ⁽²⁾
Operating income (loss)	(68)	(108)	174	58.8	N/M ⁽²⁾
Net non-operating income	38	40	44	5.3	10.0
Net income (loss) before tax	(30)	(68)	218	126.7	N/M ⁽²⁾
Income tax expense	7	17	(53)	142.9	N/M ⁽²⁾
Net income (loss)	(23)	(51)	165	121.7%	N/M ⁽²⁾

⁽¹⁾ Consist of impairment losses due to credit loss, gain (loss) on loan sales and provisions (reversal of provisions).

⁽²⁾ N/M = not meaningful.

Comparison of 2015 to 2014

Our net income (loss) before tax for this segment changed from a net loss of 68 billion in 2014 to net income of 218 billion in 2015. Net income (loss) after tax also changed from a net loss of 51 billion in 2014 to net income of 165 billion in 2015.

Interest income for this segment, which consists mainly of interest income from working capital loans, decreased 22.1% from 199 billion in 2014 to 155 billion in 2015, mainly reflecting the decrease in the general level of interest rates in Korea in 2015.

Net interest expense on inter-segment transactions for this segment decreased 24.7% from 198 billion in 2014 to 149 billion in 2015, principally as a result of a decrease in the average cost of borrowings from other segments, which mainly reflected the decrease in the general level of interest rates in Korea in 2015.

Impairment losses due to credit loss and others for this segment changed from a net loss of 161 billion in 2014 to a net gain of 68 billion in 2015, primarily as a result of reversals of allowance for credit losses of certain companies.

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Non-interest income attributable to this segment increased 40.8% from 348 billion in 2014 to 490 billion in 2015, primarily due to an increase in gains on transaction of foreign exchange.

Non-interest expense for this segment increased 33.0% from 282 billion in 2014 to 375 billion in 2015, primarily as a result of an increase in losses on transaction of foreign exchange.

Administrative expenses attributable to this segment increased 7.1% from 14 billion in 2014 to 15 billion in 2015, primarily due to an increase in salaries paid to our employees in this segment.

Table of Contents*Comparison of 2014 to 2013*

Our net loss before tax for this segment increased 126.7% from 30 billion in 2013 to 68 billion in 2014. Net loss after tax also increased 121.7% from 23 billion in 2013 to 51 billion in 2014.

Interest income for this segment decreased 22.6% from 257 billion in 2013 to 199 billion in 2014, mainly reflecting the decrease in the general level of interest rates in Korea in 2014, as well as increases in deferred interest payments by certain companies and non-performing loans extended to certain companies.

Net interest expense on inter-segment transactions for this segment decreased 16.1% from 236 billion in 2013 to 198 billion in 2014, principally as a result of a decrease in the average cost of borrowings from other segments, which mainly reflected the decrease in the general level of interest rates in Korea in 2014.

Impairment losses due to credit loss and others for this segment increased 15.8% from 139 billion in 2013 to 161 billion in 2014, primarily as a result of an increase in provisions for credit losses with respect to non-performing loans of certain companies.

Non-interest income attributable to this segment decreased 13.4% from 402 billion in 2013 to 348 billion in 2014, primarily due to decreases in gains on transaction of foreign exchange and gains relating to available-for-sale securities in foreign currencies.

Non-interest expense for this segment decreased 15.6% from 334 billion in 2013 to 282 billion in 2014, primarily as a result of decreases in losses on transaction of foreign exchange and losses related to derivatives.

Administrative expenses attributable to this segment decreased 17.7% from 17 billion in 2013 to 14 billion in 2014, primarily due to a decrease in salaries paid to our employees in this segment, principally reflecting a decrease in the number of such employees.

Capital Markets

This segment consists of our core capital markets operations, including principally securities investment and trading of securities (other than available-for-sale securities), foreign exchange and derivatives. The following table shows, for the periods indicated, our income statement data for this segment:

	Year ended December 31,			Percentage change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Income statement data					
Interest income	82	26	19	(68.3)%	(26.9)%
Interest expense	(29)			(100.0)	
Inter-segment	7	3	22	(57.1)	633.3
Net interest income	60	29	41	(51.7)	41.4
Non-interest income	4,850	3,970	5,761	(18.1)	45.1
Non-interest expense	(4,857)	(3,978)	(5,743)	(18.1)	44.4
Inter-segment					
Net non-interest expense	(7)	(8)	18	14.3	N/M ⁽²⁾
Administrative expenses	(22)	(16)	(17)	(27.3)	6.3
Impairment losses due to credit loss and others ⁽¹⁾	(18)	6	(27)	N/M ⁽²⁾	N/M ⁽²⁾
Total other expenses	(40)	(10)	(44)	(75.0)	340.0
Operating income (loss)	13	11	15	(15.4)	36.4
Net non-operating income (loss)	34	(21)		N/M ⁽²⁾	(100.0)

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Net income (loss) before tax	47	(10)	15	N/M ⁽²⁾	N/M ⁽²⁾
Income tax expense	(11)	2	(4)	N/M ⁽²⁾	N/M ⁽²⁾
Net income (loss)	36	(8)	11	N/M ⁽²⁾	N/M ⁽²⁾

⁽¹⁾ Consist of impairment losses due to credit loss, gain (loss) on loan sales and provisions (reversal of provisions).

⁽²⁾ N/M = not meaningful.

Table of Contents*Comparison of 2015 to 2014*

Our net income (loss) before tax for this segment changed from a net loss of 10 billion in 2014 to net income of 15 billion in 2015. Net income (loss) after tax also changed from a net loss of 8 billion in 2014 to net income of 11 billion in 2015.

Interest income for this segment, which consists mainly of interest income from held-for-trading securities, decreased 26.9% from 26 billion in 2014 to 19 billion in 2015, primarily due to the decrease in the general level of interest rates in Korea in 2015.

Net interest income on inter-segment transactions for this segment increased 633.3% from 3 billion in 2014 to 22 billion in 2015, principally as a result of a decrease in the average cost of borrowings from other segments, which mainly reflected the decrease in the general level of interest rates in Korea in 2015.

Impairment losses due to credit loss and others for this segment changed from a net gain of 6 billion in 2014 to net loss of 27 billion in 2015, primarily as a result of a credit valuation adjustment relating to derivatives, which mainly reflected the credit deterioration of certain corporate issuers.

Non-interest income attributable to this segment increased 45.1% from 3,970 billion in 2014 to 5,761 billion in 2015, primarily due to an increase in gains on transaction of foreign exchange.

Non-interest expense for this segment increased 44.4% from 3,978 billion in 2014 to 5,743 billion in 2015, primarily as a result of an increase in losses on transaction of foreign exchange.

Administrative expenses attributable to this segment increased 6.3% from 16 billion in 2014 to 17 billion in 2015, primarily due to an increase in salaries paid to our employees in this segment.

Comparison of 2014 to 2013

Our net income (loss) before tax for this segment changed from net income of 47 billion in 2013 to a net loss of 10 billion in 2014. Net income (loss) after tax also changed from net income of 36 billion in 2013 to a net loss of 8 billion in 2014.

Interest income for this segment decreased 68.3% from 82 billion in 2013 to 26 billion in 2014, primarily due to the discontinuation of the former lending operations of our merchant banking unit in 2013 due to the expiration of the relevant license and decreases in the average balance and average interest rate of held-for-trading securities.

Interest expense attributable to this segment decreased from 29 billion in 2013 to nil in 2014. The decrease in interest expense was primarily due to the discontinuation of the former deposit-taking operations of our merchant banking unit in 2013 due to the expiration of the relevant license.

Impairment losses due to credit loss and others for this segment changed from a net loss of 18 billion in 2013 to net gain of 6 billion in 2014, primarily as a result of the reclassification of certain expenses related to a lawsuit from impairment losses due to credit loss and others in 2013 to non-operating expenses in 2014.

Non-interest income attributable to this segment decreased 18.1% from 4,850 billion in 2013 to 3,970 billion in 2014, primarily due to decreases in gains related to derivatives and gains on held-for-trading securities.

Non-interest expense for this segment decreased 18.1% from 4,857 billion in 2013 to 3,978 billion in 2014, primarily as a result of decreases in losses related to derivatives and losses on transaction of foreign exchange.

Administrative expenses attributable to this segment decreased 27.3% from 22 billion in 2013 to 16 billion in 2014, primarily due to the discontinuation of the former operations of our merchant banking unit in 2013.

Net non-operating income (loss) for this segment changed from a net income of 34 billion in 2013 to a net loss of 21 billion in 2014, primarily as a result of the reclassification of certain expenses from impairment losses due to credit loss and others to non-operating expenses in 2014, as described above.

Table of Contents**Credit Card**

This segment consists of our credit card operations. The following table shows, for the periods indicated, our income statement data for this segment:

	Year ended December 31,			Percentage change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Income statement data					
Interest income	272	400	500	47.1%	25.0%
Interest expense	(93)	(113)	(122)	21.5	8.0
Inter-segment	(1)			(100.0)	
Net interest income	178	287	378	61.2	31.7
Non-interest income	572	769	871	34.4	13.3
Non-interest expense	(558)	(676)	(773)	21.2	14.4
Inter-segment					
Net non-interest expense	14	93	98	564.3	5.4
Administrative expenses	(87)	(109)	(124)	25.3	13.8
Impairment losses due to credit loss and others ⁽¹⁾	(124)	(138)	(197)	11.3	42.8
Total other expenses	(211)	(247)	(321)	17.1	30.0
Operating income (loss)	(19)	133	155	N/M ⁽²⁾	16.5
Net non-operating income (loss)	7	(2)	(5)	N/M ⁽²⁾	150.0
Net income (loss) before tax	(12)	131	150	N/M ⁽²⁾	14.5
Income tax expense	(2)	(28)	(33)	1,300.0	17.9
Net income (loss)	(14)	103	117	N/M ⁽²⁾	13.6

(1) Consist of impairment losses due to credit loss, gain (loss) on loan sales and provisions (reversal of provisions).

(2) N/M = not meaningful.

Comparison of 2015 to 2014

Our net income before tax for this segment increased 14.5% from 131 billion in 2014 to 150 billion in 2015. Net income after tax also increased 13.6% from 103 billion in 2014 to 117 billion in 2015.

Interest income for this segment increased 25.0% from 400 billion in 2014 to 500 billion in 2015, primarily due to an increase in the average balance of credit card receivables, mainly reflecting an increase in the volume of credit card transactions as well as an increase in credit card issuances.

Interest expense attributable to this segment increased 8.0% from 113 billion in 2014 to 122 billion in 2015, primarily due to increased funding needs for this segment in light of the increase in the average balance of credit card receivables.

Impairment losses due to credit loss and others for this segment increased 42.8% from 138 billion in 2014 to 197 billion in 2015, primarily as a result of an increase in provisions for credit losses, net of reversal of allowance for credit losses, mainly due to an increase in the outstanding balance of our credit card receivables.

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Non-interest income attributable to this segment increased 13.3% from 769 billion in 2014 to 871 billion in 2015, primarily due to an increase in credit card fees, mainly reflecting the increase in the average balance of credit card receivables.

Non-interest expense for this segment increased 14.4% from 676 billion in 2014 to 773 billion in 2015, primarily as a result of an increase in credit card commissions, mainly reflecting the increase in the average balance of credit card receivables.

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Administrative expenses attributable to this segment increased 13.8% from 109 billion in 2014 to 124 billion in 2015, primarily due to an increase in salaries paid to our employees in this segment, principally reflecting an increase in the number of such employees.

Comparison of 2014 to 2013

Our net income (loss) before tax for this segment changed from a net loss of 12 billion in 2013 to net income of 131 billion in 2014. Net income after tax also changed from a net loss of 14 billion in 2013 to net income of 103 billion in 2014.

Interest income for this segment increased 47.1% from 272 billion in 2013 to 400 billion in 2014, primarily due to an increase in the average balance of credit card receivables, mainly reflecting an increase in the volume of credit card transactions as well as an increase in credit card issuances.

Interest expense attributable to this segment increased 21.5% from 93 billion in 2013 to 113 billion in 2014, primarily due to increased funding needs for this segment in light of the increase in the average balance of credit card receivables.

Impairment losses due to credit loss and others for this segment increased 11.3% from 124 billion in 2013 to 138 billion in 2014, primarily as a result of an increase in provisions for credit losses, net of reversal of allowance for credit losses, mainly due to an increase in the outstanding balance of our credit card receivables.

Non-interest income attributable to this segment increased 34.4% from 572 billion in 2013 to 769 billion in 2014, primarily due to an increase in credit card fees, mainly reflecting the increase in the volume of credit card transactions and the increase in credit card issuances.

Non-interest expense for this segment increased 21.2% from 558 billion in 2013 to 676 billion in 2014 to, primarily as a result of an increase in credit card commissions, mainly reflecting the increase in the volume of credit card transactions and the increase in credit card issuances.

Administrative expenses attributable to this segment increased 25.3% from 87 billion in 2013 to 109 billion in 2014, primarily due to an increase in salaries paid to our employees in this segment, principally reflecting an increase in the number of such employees as well as an increase in their average wages, and an increase in IT expenses.

Table of Contents**Other Operations**

Other operations include all of our operations not included in the other segments, including principally the operations of our Credit Management and Collection Department, our treasury operations involving transactions of available-for-sale securities and financing among financial institutions as well as the operations of all of our subsidiaries other than Woori Card. The following table shows, for the periods indicated, our income statement data for this segment:

	Year ended December 31,			Percentage change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Income statement data					
Interest income	1,653	1,587	1,586	(4.0)%	(0.1)%
Interest expense	(1,070)	(987)	(980)	(7.8)	(0.7)
Inter-segment	(91)	(52)	137	(42.9)	N/M ⁽²⁾
Net interest income	492	548	743	11.4	35.6
Non-interest income	2,950	2,182	3,246	(26.0)	48.8
Non-interest expense	(2,396)	(1,878)	(2,908)	(21.6)	54.9
Inter-segment	(40)	(49)	(58)	22.5	18.4
Net non-interest income	514	255	280	(50.4)	9.8
Administrative expenses	(498)	(518)	(555)	4.0	7.1
Impairment losses due to credit loss and others ⁽¹⁾	(144)	(35)	83	(75.7)	N/M ⁽²⁾
Total other expenses	(642)	(553)	(472)	(13.9)	(14.7)
Operating income	364	250	551	(31.3)	120.4
Net non-operating income	1,655	1,588	138	(4.1)	(91.3)
Net income before tax	2,019	1,838	689	(9.0)	(62.5)
Income tax expense	(484)	(98)	(137)	(79.8)	39.8
Net income	1,535	1,740	552	13.4%	(68.3)%

⁽¹⁾ Consist of impairment losses due to credit loss, gain (loss) on loan sales and provisions (reversal of provisions).

⁽²⁾ N/M = not meaningful.

Comparison of 2015 to 2014

Our net income before tax for this segment decreased 62.5% from 1,838 billion in 2014 to 689 billion in 2015. Net income after tax also decreased 68.3% from 1,740 billion in 2014 to 552 billion in 2015.

Interest income for this segment, which mainly includes interest income due from banks and on certain other loans and financial assets, remained relatively stable at 1,586 billion in 2015 compared to 1,587 billion in 2014.

Interest expense attributable to this segment, which mainly includes interest expense on debentures, borrowings, call money and deposits due to customers, remained relatively stable at 980 billion in 2015 compared to 987 billion in 2014.

Net interest income (expense) from inter-segment transactions for this segment changed from a net expense of 52 billion in 2014 to net income of 137 billion in 2015, principally as a result of a decrease in the average cost of borrowings from other segments, which mainly reflected the

decrease in the general level of interest rates in Korea in 2015.

Impairment losses due to credit loss and others for this segment changed from a net loss of 35 billion in 2014 to net gain of 83 billion in 2015, primarily as a result of reversals of allowance for credit losses of our Credit Management and Collection Department included in this segment, mainly reflecting an increase in recoveries of such Department.

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Non-interest income attributable to this segment, which mainly includes gains on transaction of foreign exchange, gains on fair value hedged items and gains on transactions of derivatives, increased 48.8% from 2,182 billion in 2014 to 3,246 billion in 2015, primarily due to an increase in gains on transactions of foreign exchange, mainly reflecting higher exchange rate volatility in 2015.

Non-interest expense for this segment, which mainly includes losses on transaction of foreign exchange, losses on fair value hedged items and losses on transactions of derivatives, increased 54.9% from 1,878 billion in 2014 to 2,908 billion in 2015, primarily as a result of an increase in losses on transactions of foreign exchange, mainly reflecting higher exchange rate volatility in 2015.

Administrative expenses attributable to this segment increased 7.1% from 518 billion in 2014 to 555 billion in 2015, primarily due to an increase in salaries paid to our employees in this segment, principally reflecting an increase in the number of employees at our headquarters and our overseas subsidiaries included in this segment.

Comparison of 2014 to 2013

Our net income before tax for this segment decreased 9.0% from 2,019 billion in 2013 to 1,838 billion in 2014. However, net income after tax increased 13.4% from 1,535 billion in 2013 to 1,740 billion in 2014, due to a 79.8% decrease in income tax expense from 484 billion in 2013 to 98 billion in 2014.

Interest income for this segment decreased 4.0% from 1,653 billion in 2013 to 1,587 billion in 2014, primarily due to a decrease in interest income from available-for-sale and held-to-maturity securities held by our headquarters and our Treasury Department included in this segment.

Interest expense attributable to this segment decreased 7.8% from 1,070 billion in 2013 to 987 billion in 2014, primarily due to decreased funding costs for this segment in light of the lower interest rate environment in Korea in 2014.

Net interest expense from inter-segment transactions for this segment decreased 42.9% from 91 billion in 2013 to 52 billion in 2014, principally as a result of a decrease in the average cost of borrowings from other segments, which mainly reflected the decrease in the general level of interest rates in 2014.

Impairment losses due to credit loss and others for this segment decreased 75.7% from 144 billion in 2013 to 35 billion in 2014, primarily as a result of an overall improvement in the asset quality of assets held by our subsidiaries, our Credit Management and Collection Department and our Treasury Department included in this segment.

Non-interest income attributable to this segment decreased 26.0% from 2,950 billion in 2013 to 2,182 billion in 2014, primarily due to decreases in gains on transactions of foreign exchange and derivatives, mainly reflecting lower exchange rate volatility in 2014.

Non-interest expense for this segment decreased 21.6% from 2,396 billion in 2013 to 1,878 billion in 2014, primarily as a result of decreases in losses on transactions of foreign exchange and losses on transactions of derivatives, mainly reflecting lower exchange rate volatility in 2014.

Administrative expenses attributable to this segment increased 4.0% from 498 billion in 2013 to 518 billion in 2014, primarily due to an increase in redundancy payments, resulting mainly in connection with the early retirement of employees at our headquarters included in this segment.

Table of Contents**Item 5B. Liquidity and Capital Resources**
Financial Condition**Assets**

The following table sets forth, as of the dates indicated, the principal components of our assets:

	2013 ⁽¹⁾	As of December 31, 2014 (in billions of Won)	2015	Percentage change 2014/2013 2015/2014 (%)	
Cash and cash equivalents	5,478	5,963	6,644	8.9%	11.4%
Financial assets at fair value through profit or loss	4,806	4,554	5,133	(5.2)	12.7
Available-for-sale financial assets	17,085	18,811	17,171	10.1	(8.7)
Held-to-maturity financial assets	12,039	13,044	13,622	8.3	4.4
Loans and receivables:					
Due from banks	10,212	11,105	11,181	8.7	0.7
Loans in local currency	156,028	167,262	185,155	7.2	10.7
Loans in foreign currencies	9,997	11,281	13,105	12.8	16.2
Domestic bankers' letter of credit	4,959	5,712	4,805	15.2	(15.9)
Credit card accounts	4,209	5,114	6,099	21.5	19.3
Bills bought in foreign currencies	4,235	5,552	6,648	31.1	19.7
Bills bought in local currency	186	259	135	39.2	(47.9)
Factoring receivables	176	92	150	(47.7)	63.0
Advances for customers on guarantees	55	53	44	(3.6)	(17.0)
Privately placed bonds	507	346	331	(31.8)	(4.3)
Securitized loans	311	296	310	(4.8)	4.7
Call loans	8,092	4,175	2,758	(48.4)	(33.9)
Bonds purchased under resale agreements	4,981	6,892	7,584	38.4	10.0
Other loans	31	44	46	41.9	4.5
Loan origination costs and fees	295	368	435	24.7	18.2
Present value discount	(25)	(17)	(5)	(32.0)	(70.6)
Other receivables	11,312	7,790	8,539	(31.1)	9.6
	215,560	226,324	247,320	5.0	9.3
Less:					
Allowance for credit losses	3,648	2,954	2,478	(19.0)	(16.1)
Total loans and receivables, net	211,912	223,370	244,842	5.4	9.6
Premises and equipment, net	2,536	2,501	2,471	(1.4)	(1.2)
Other assets ⁽²⁾	1,837	1,914	1,976	4.2	3.2
Disposal group held for sale	34,685			(100.0)	
Disposal group held for distribution	50,312			(100.0)	
Total assets	340,690	270,157	291,859	(20.7)%	8.0

(1) The amounts as of December 31, 2013 reflect the classification of certain former subsidiaries as a disposal group held for distribution or sale. See Overview Privatization Plan.

(2) Includes investments in joint ventures and associates, investment properties, intangible assets and goodwill, current tax assets, deferred tax assets, derivative assets, assets held for sale and other assets.

For further information on our assets, see Item 4B. Business Overview Assets and Liabilities.

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Comparison of 2015 to 2014

Our total assets increased 8.0% from 270,157 billion as of December 31, 2014 to 291,859 billion as of December 31, 2015, primarily as a result of a 9.3% increase in loans and receivables from 226,324 billion as of December 31, 2014 to 247,320 billion as of December 31, 2015. This increase in loans and receivables was mainly the result of a 10.7% increase in loans in local currency from 167,262 billion as of December 31, 2014

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to 185,155 billion as of December 31, 2015, which was enhanced by a 16.2% increase in loans in foreign currencies from 11,281 billion as of December 31, 2014 to 13,105 billion as of December 31, 2015.

Comparison of 2014 to 2013

Our total assets decreased 20.7% from 340,690 billion as of December 31, 2013 to 270,157 billion as of December 31, 2014, primarily as a result of the dispositions during 2014 of Kwangju Bank, Kyongnam Bank, Woori Investment & Securities, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I pursuant to the privatization plan of the Korean government with respect to Woori Finance Holdings and its former subsidiaries. See Item 4A. History and Development of the Company Privatization Plan.

Liabilities and Equity

The following table sets forth, as of the dates indicated, the principal components of our liabilities and our equity:

	2013 ⁽¹⁾	As of December 31, 2014 (in billions of Won)	2015	Percentage change 2014/2013 2015/2014 (%)	
Liabilities:					
Financial liabilities at fair value through profit or loss	2,507	2,675	3,461	6.7%	29.4%
Deposits due to customers	175,324	188,516	209,142	7.5	10.9
Borrowings	18,232	17,708	20,034	(2.9)	13.1
Debentures	21,678	24,796	21,899	14.4	(11.7)
Provisions	685	692	517	1.0	(25.3)
Other financial liabilities	19,914	16,890	16,964	(15.2)	0.4
Other liabilities ⁽²⁾	543	787	532	44.9	(32.4)
Liabilities directly associated with disposal group held for sale	32,048			(100.0)	
Liabilities directly associated with disposal group held for distribution to owners	46,882			(100.0)	
Total liabilities	317,813	252,064	272,549	(20.7)	8.1
Equity:					
Capital stock	4,030	3,381	3,381	(16.1)	
Hybrid securities	498	2,539	3,334	409.8	31.3
Capital surplus	177	291	294	64.4	1.0
Other equity	(35)	(2,393)	(1,547)	6,737.1	(35.4)
Retained earnings	13,113	14,165	13,726	8.0	(3.1)
Equity directly associated with disposal group held for sale	30			(100.0)	
Equity directly associated with disposal group held for distribution to owners	36			(100.0)	
Controlling interests	17,849	17,984	19,188	0.8	6.7
Non-controlling interests	5,028	110	122	(97.8)	10.9
Total equity	22,877	18,093	19,310	(20.9)	6.7
Total liabilities and equity	340,690	270,157	291,859	(20.7)%	8.0%

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- (1) The amounts as of December 31, 2013 reflect the classification of certain former subsidiaries as a disposal group held for distribution or sale. See Overview Privatization Plan.
- (2) Includes net defined benefit liability, current tax liabilities, deferred tax liabilities, derivative liabilities and other liabilities. For further information on our liabilities, see Item 4B. Business Overview Assets and Liabilities.

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Our total liabilities increased 8.1% from 252,064 billion as of December 31, 2014 to 272,549 billion as of December 31, 2015, primarily as a result of an increase in deposits due to customers. Our deposits due to customers increased 10.9% from 188,516 billion as of December 31, 2014 to 209,142 billion as of December 31, 2015, mainly as a result of an 8.6% increase in time deposits in local currency from 161,697 billion as of December 31, 2014 to 175,599 billion as of December 31, 2015.

Our total equity increased by 6.7% from 18,093 billion as of December 31, 2014 to 19,310 billion as of December 31, 2015, primarily as a result of a 35.4% decrease in negative other equity from 2,393 billion as of December 31, 2014 to 1,547 billion as of December 31, 2015, which was attributable mainly to a decrease in negative other capital adjustments, and a 31.3% increase in hybrid capital securities from 2,539 billion as of December 31, 2014 to 3,334 billion as of December 31, 2015, which was principally due to the issuance of hybrid securities in June 2015.

Comparison of 2014 to 2013

Our total liabilities decreased 20.7% from 317,813 billion as of December 31, 2013 to 252,064 billion as of December 31, 2014, primarily as a result of the dispositions during 2014 of Kwangju Bank, Kyongnam Bank, Woori Investment & Securities, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I pursuant to the privatization plan of the Korean government with respect to Woori Finance Holdings and its former subsidiaries.

Our total equity decreased by 20.9% from 22,877 billion as of December 31, 2013 to 18,093 billion as of December 31, 2014, primarily as a result of such dispositions. See Item 4A. History and Development of the Company Privatization Plan.

Liquidity

Our primary source of funding has historically been and continues to be customer deposits, particularly lower-cost retail deposits. Deposits amounted to 175,324 billion (excluding discontinued operations), 188,516 billion and 209,142 billion as of December 31, 2013, 2014 and 2015, which represented approximately 81.3%, 80.7% and 82.2% of our total funding, respectively. We have historically been able to use customer deposits to finance our operations generally, including meeting a portion of our liquidity requirements. Although the majority of deposits are short-term, it has been our experience that the majority of our depositors generally roll over their deposits at maturity, thus providing us with a stable source of funding. However, in the event that a substantial number of our depositors do not roll over their deposits or otherwise decide to withdraw their deposited funds, we would need to place increased reliance on alternative sources of funding, some of which may be more expensive than customer deposits, in order to finance our operations. See Item 3D. Risk Factors Other risks relating to our business Our funding is highly dependent on short-term deposits, which dependence may adversely affect our operations. In particular, we may increase our utilization of alternative funding sources such as short-term borrowings and cash and cash equivalents (including funds from maturing loans), as well as liquidating our positions in trading and investment securities and using the proceeds to fund parts of our operations, as necessary.

We also obtain funding through borrowings and debentures to meet our liquidity needs. Borrowings represented 8.5% (excluding discontinued operations), 7.6% and 7.9% of our total funding as of December 31, 2013, 2014 and 2015, respectively. Debentures represented 10.0% (excluding discontinued operations), 10.6% and 8.6% of our total funding as of December 31, 2013, 2014 and 2015, respectively. For further information on our sources of funding, see Item 4B. Business Overview Assets and Liabilities Funding.

Our liquidity risks arise from withdrawals of deposits and maturities of our borrowings and debentures, as well as our need to fund our lending, trading and investment activities and to manage our trading positions. Our goal in managing our liquidity is to be able, even under adverse conditions, to meet all of our liability repayments on time and to fund all investment opportunities. For a discussion of how we manage our liquidity risk, see Item 11. Quantitative and Qualitative Disclosures about Market Risk Liquidity Risk Management.

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The Financial Services Commission requires each Korean bank to maintain specific Won and foreign currency liquidity ratios. These ratios require us to keep our ratio of liquid assets to liquid liabilities above certain minimum levels. For a description of these requirements, see Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Banks Liquidity.

Contractual Obligations and Off-Balance Sheet Arrangements

The following table sets forth our contractual obligations as of December 31, 2015:

	Total	Payments due by period			More than 5 years
		Less than 1 year	1-3 years	3-5 years	
		(in billions of Won)			
Contractual obligations					
Borrowing obligations ⁽¹⁾	20,276	14,465	4,357	954	500
Debenture obligations ⁽¹⁾	23,756	6,975	8,881	3,316	4,584
Deposits ⁽²⁾⁽³⁾	212,917	202,577	5,943	1,680	2,717
Capital (finance) lease obligations	27	10	17		
Operating lease obligations	1,420	243	469	452	256
Purchase obligations	23	13	6	3	1
Employee severance plan obligations	2,145	41	99	141	1,864
Total	260,564	224,324	19,772	6,546	9,922

(1) Includes estimated future interest payments, which have been estimated using contractual interest rates and scheduled contractual maturities of the outstanding borrowings and debentures as of December 31, 2015. In order to calculate future interest payments on debts with floating rates, we used contractual interest rates as of December 31, 2015.

(2) Comprising certificates of deposit, other time deposits and installment deposits.

(3) Includes estimated future interest payments, which have been estimated using weighted average interest rates paid for 2015 for each deposit product category and their scheduled contractual maturities.

We utilize credit-related financial instruments with off-balance sheet risk in our normal course of business. The primary purpose of those instruments is to generate fee income for us, in return for making credit support and funds available to our customers as required. Such instruments consist primarily of guarantees, commercial letters of credit and unused lines of credit. Guarantees include guarantees for loans, debentures, trade financing arrangements and guarantees for other financings. Contingent liabilities for which guaranteed amounts are not finalized appear as off-balance sheet items in the notes to the financial statements. Such contingent liabilities include, among others, contingent liabilities relating to trade financings and derivatives contracts with respect to foreign exchange rates and interest rates.

We also enter into transactions with certain structured entities, including through the purchase of their subordinated debt and the provision of credit facilities to them.

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The following table sets forth our off-balance sheet guarantees and commitments as of the dates indicated:

	2013 ⁽¹⁾	As of December 31, 2014 ⁽¹⁾ (in billions of Won)	2015
Confirmed guarantees	9,806	9,274	9,069
Guarantees for loans	211	109	108
Acceptances	877	710	618
Letters of guarantee	173	126	100
Other confirmed guarantees	8,545	8,329	8,243
Unconfirmed guarantees	7,546	6,540	6,631
Local letters of credit	743	576	423
Import letters of credit	5,024	4,373	4,259
Other unconfirmed guarantees	1,779	1,590	1,950
Commercial paper purchase commitments and others	5,448	2,214	1,615
Loan commitments and others	93,874	93,699	93,583
Loans	90,728	89,638	88,212
Others	3,146	4,061	5,371

⁽¹⁾ The amounts as of December 31, 2013 and 2014 include discontinued operations.

We analyze our off-balance sheet legally binding credit-related commitments for possible losses associated with such commitments. We review the ability of the counterparties of the underlying credit-related commitments to perform their obligations under the commitments and, if we determine that a loss is probable and estimable, we establish allowances for possible losses in a manner similar to allowances that we would establish with respect to a loan granted under the terms of the applicable commitment. These allowances are reflected as provisions in our statement of financial position. As of December 31, 2015, we had established provisions for possible losses of 449 billion with respect to our credit-related commitments.

Capital Adequacy

We are subject to the capital adequacy requirements of the Financial Services Commission. The requirements applicable prior to December 2013 were formulated based on Basel II, which was first published by the Basel Committee on Banking Supervision, Bank for International Settlements in 2004. The requirements applicable commencing in December 2013 pursuant to amended Financial Services Commission regulations promulgated in July 2013 were formulated based on Basel III, which was first introduced by the Basel Committee on Banking Supervision, Bank for International Settlements in December 2009. Under the amended Financial Services Commission regulations, all banks in Korea are required to maintain certain minimum ratios of Tier I common equity capital, total Tier I capital and total Tier I and Tier II capital to risk-weighted assets. See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Banks Capital Adequacy.

If a bank fails to maintain its capital adequacy ratios, the Korean regulatory authorities may impose penalties on such bank ranging from a warning to suspension or revocation of its license. See Item 3D. Risk Factors Other risks relating to our business We may be required to raise additional capital if our capital adequacy ratio deteriorates or the applicable capital requirements change in the future, but we may not be able to do so on favorable terms or at all.

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The following table sets forth a summary of our capital and capital adequacy ratios as of December 31, 2013, 2014 and 2015 based on IFRS and applicable regulatory reporting standards:

	2013 ⁽¹⁾	As of December 31, 2014	2015
	(in billions of Won, except percentages)		
Tier I capital			
Tier I common equity capital			
Capital stock	2,983	3,381	3,381
Capital surplus	735	291	294
Retained earnings	10,989	12,409	11,471
Non-controlling interests in consolidated subsidiaries	2	10	14
Others	(201)	(2,979)	(2,112)
Additional Tier I capital			
Hybrid securities	2,143	2,463	2,970
Other equity	4	72	46
Total Tier I capital	16,655	15,647	16,064
Tier II capital			
Allowance for credit losses ⁽²⁾	873	1,102	1,145
Subordinated debt	2,854	3,005	3,831
Valuation gain on investment securities			
Others	1	1,104	11
Total Tier II capital	3,728	5,211	4,987
Total Tier I and Tier II capital	20,383	20,858	21,051
Risk-weighted assets			
Credit risk-weighted assets	120,868	135,698	142,127
Market risk-weighted assets	2,128	1,667	2,596
Operational risk-weighted assets	8,317	8,958	9,348
Total	131,313	146,323	154,071
Tier I common equity capital ratio	11.05%	8.96%	8.47%
Total Tier I capital ratio	12.68%	10.69%	10.43%
Tier II capital ratio	2.84%	3.56%	3.23%
Total Tier I and Tier II capital ratio	15.52%	14.25%	13.66%

(1) The amounts as of December 31, 2013 are amounts for Woori Bank, not Woori Finance Holdings.

(2) Allowance for credit losses in respect of credits classified as normal or precautionary are used to calculate Tier II capital only to the extent such allowances represent up to 1.25% of risk-weighted assets.

Recent Accounting Pronouncements

See Note 2-(1)-2) of the notes to our consolidated financial statements for a description of recent accounting pronouncements under IFRS as issued by the IASB that have been issued but are not yet effective.

Item 5C. *Research and Development, Patents and Licenses, etc.*
Not Applicable

Item 5D. *Trend Information*
These matters are discussed under Item 5A and Item 5B above where relevant.

Table of Contents**Item 5E. Off-Balance Sheet Arrangements**

See Item 5B. Liquidity and Capital Resources Financial Condition Contractual Obligations and Off-Balance Sheet Arrangements.

Item 5F. Tabular Disclosure of Contractual Obligations

See Item 5B. Liquidity and Capital Resources Financial Condition Contractual Obligations and Off-Balance Sheet Arrangements.

Item 5G. Safe Harbor

See Forward-Looking Statements.

Item 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**Item 6A. Directors and Senior Management****Board of Directors**

Our board of directors has the ultimate responsibility for managing our affairs. The board currently comprises four standing directors, one non-standing director and six outside directors. Standing directors are directors who are our full-time executive officers, while non-standing directors and outside directors are directors who are not full-time executive officers. Outside directors represent a cross-section of respected and experienced members of the academic, financial, legal and corporate fields in Korea, and must also satisfy certain requirements under Korean law and our articles of incorporation to evidence their independence from us.

Our articles of incorporation provide that the board can have no less than five directors. Standing directors must comprise less than 50% of the total number of directors, and there must be at least three outside directors. Each director may be elected for a term of office not exceeding three years and may be re-elected, provided that each outside director may be elected for a term of office not exceeding two years and may be re-elected on an annual basis but may not serve in such office for more than five consecutive years. In addition, with respect to all directors, such term of office is extended until the close of the annual general meeting of shareholders convened in respect of the last fiscal year of the director's term of office. These terms are subject to the Korean Commercial Code, the Bank Act and related regulations.

Our board of directors meets regularly on a quarterly basis to discuss and resolve various corporate matters. The board may also convene for additional extraordinary meetings at the request of the president or chairman of the board. A director (other than the president or chairman of the board) may request the president or chairman of the board to convene an extraordinary meeting. In the event that the president or chairman of the board rejects such request without justifiable reason, another director may convene the extraordinary meeting.

The names and positions of our directors are set forth below. The business address of all of the directors is our registered office at 51, Sogong-ro, Jung-gu, Seoul, Korea.

Standing Directors

Our standing directors are as follows:

Name	Age	Position	Director Since
Kwang-Goo Lee	58	President and Chief Executive Officer	December 30, 2014
Dong-Gun Lee	58	Director and Executive Vice President	March 25, 2016
Soo-Kyung Chung	57	Director and Standing Audit Committee Member	October 10, 2014
Ki-Myung Nam	57	Director and Executive Vice President	March 25, 2016

None of these directors is involved in any significant business activities outside us and our subsidiaries.

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Kwang-Goo Lee is our president and chief executive officer. He was appointed as president and chief executive officer in December 2014. Previously, he served as head of the consumer banking business unit. Prior to that, he was the head of a regional operations department. Mr. Lee holds a Bachelor of Arts in Business Administration from Sogang University.

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Dong-Gun Lee serves as an executive vice president and head of the business support group. Prior to serving as executive vice president, he was the deputy president. He holds a Bachelor of Arts in Business Administration from Yeungnam University and a Master of Science in Financial Engineering from Yonsei University.

Soo-Kyung Chung is a standing Audit Committee member. She was appointed as a standing Audit Committee member in October 2014. Prior to joining us, she was an attorney at the law firm Ja Woo. She holds a Bachelor of Arts in English Language and Literature from Sungkyunkwan University.

Ki-Myung Nam serves as an executive vice president and head of the domestic business group. Prior to serving as executive vice president, he was the head of the finance and management planning division. He holds a Bachelor of Arts in Business Administration from Seoul National University and a Master of Business Administration from the University of Michigan.

Non-Standing Director

Our non-standing director is as follows:

Name	Age	Position	Director Since	Year Term Ends⁽¹⁾
Kwang-Woo Choi	54	Non-Standing Director	March 25, 2016	2018

⁽¹⁾ The date on which the term will end will be the date of the general shareholders meeting in the relevant year.

Kwang-Woo Choi was elected as a non-standing director in March 2016. He currently serves as a general manager of public relations at the KDIC. He holds a Bachelor of Arts in Business Administration from Korea University.

Outside Directors

Our outside directors are selected based on their experience and knowledge in diverse areas, which include law, finance, economics, management and accounting. We currently have six outside directors. All were nominated by the Board of Directors Management Committee and approved by our shareholders.

Our outside directors are as follows:

Name	Age	Position	Director Since	Year Term Ends⁽¹⁾
Il-Hwa Hong	69	Outside Director	March 27, 2015	2017
He-Suk Chun	60	Outside Director	March 27, 2015	2017
Han-Gi Jung	60	Outside Director	March 27, 2015	2017
Ho-Geun Lee	56	Outside Director	March 25, 2016	2018
Sung-Soo Koh	52	Outside Director	March 27, 2015	2017
Sung-Yong Kim	50	Outside Director	March 25, 2016	2018

⁽¹⁾ The date on which each term will end will be the date of the general shareholders meeting in the relevant year.

Il-Hwa Hong was elected as an outside director in March 2015. He is currently a standing advisor at Newspaper Woman & People. He holds a Bachelor of Arts in Economics and a Master of Arts in Politics & Leadership from Kookmin University.

He-Suk Chun was elected as an outside director in March 2015. She currently serves as a professor at Cheongju University. She holds a Bachelor of Science in Biological Science and Technology from Yonsei University and a Master of Business Administration and a Ph.D. in Economics

from George Washington University.

Han-Gi Jung was elected as an outside director in March 2015. He previously served as the representative director of Eugene Asset Management. He holds a Bachelor of Arts in Economics and a Master of Business Administration from Sogang University.

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Ho-Geun Lee was elected as an outside director in March 2016. He currently serves as a professor at Yonsei University. He holds a Bachelor of Science in Industrial Engineering from Seoul National University, a Master of Science in Management Science from the Korea Advanced Institute of Science and Technology and a Ph.D. in Management from the University of Texas at Austin.

Sung-Soo Koh was elected as an outside director in March 2015. He currently serves as a professor at Konkuk University. He holds a Bachelor of Arts in Business Administration from Yonsei University, a Master of Business Administration from Columbia University and a Master of Arts and a Ph.D. in Economics from Cornell University.

Sung-Yong Kim was elected as an outside director in March 2016. He currently serves as a professor at Sungkyunkwan University. He holds a Bachelor of Law from Seoul National University and a Master of Laws from the University of Pennsylvania.

If any director wishes to enter into a transaction with us in his or her personal capacity, he or she must obtain the prior approval of our board of directors. The director having an interest in the transaction may not vote at the meeting during which the board approves the transaction.

Executive Officers

In addition to the standing directors who are also our executive officers, we currently have the following nine executive officers.

Name	Age	Position
Tae-Seung Sohn	57	Executive Vice President
Won-Jai Jeong	56	Executive Vice President
Woo-Seok Chae	58	Executive Vice President
Jai-Won Kim	55	Executive Vice President
Hong-Hee Kim	58	Executive Vice President
Hong-Koo Kim	56	Executive Vice President
Jae-Hyun Cho	57	Executive Vice President
Jung-Hoon Choi	57	Executive Vice President
Dong-Bin Lee	56	Executive Vice President

Tae-Seung Sohn serves as an executive vice president in charge of the global business unit and head of the global business group. Prior to serving as executive vice president, he was the director of the financial market business division. He holds a Master of Arts in Law from Seoul National University.

Won-Jai Jeong serves as an executive vice president and head of the corporate banking business unit. Prior to serving as executive vice president, he was the director of the marketing support division. He is a graduate of Cheonan Commercial High School.

Woo-Seok Chae serves as an executive vice president and head of the small- and medium-enterprise corporate banking business unit. Prior to serving as executive vice president, he was the head of the credit support unit. He holds a Bachelor of Arts in Economics from Sogang University.

Jai-Won Kim serves as an executive vice president and head of the institutional banking business unit. Prior to serving as executive vice president, he was the director of the financial market business unit. He holds a Bachelor of Arts in Business Administration from Seoul National University.

Hong-Hee Kim serves as an executive vice president and head of the real estate finance business unit. Prior to serving as executive vice president, he was the director of the operation and support division. He holds a Bachelor of Arts in Business Administration from Jeonju University.

Hong-Koo Kim serves as an executive vice president and head of the investment banking business unit. Prior to serving as executive vice president, he was the director of the investment banking business division. He holds a Bachelor of Arts in Law from Hanyang University.

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Jae-Hyun Cho serves as an executive vice president and head of the smart banking unit. Prior to serving as executive vice president, he was the director of the smart banking division. He holds a Bachelor of Arts in Business Administration from Hongik University.

Jung-Hoon Choi serves as an executive vice president and head of the risk management unit. Prior to serving as executive vice president, he was the director of the international trade business division. He holds a Bachelor of Arts in Public Administration from Chungang University.

Dong-Bin Lee serves as an executive vice president and head of the credit support unit. Prior to serving as executive vice president, he was the director of the corporate restructuring division. He holds a Bachelor of Arts in Business Administration from Pusan National University.

None of the executive officers is involved in any significant business activities outside us and our subsidiaries.

Item 6B. Compensation

The aggregate remuneration and benefits-in-kind we paid in 2015 to our standing directors, our outside directors and our other executive officers was 4,380 million. In 2015, we did not record additional provisions for allowances for severance and retirement benefits for such directors and officers, as no such directors or officers had been employed with us for over one year in 2015. We do not have service contracts with any of these directors or officers that provide for benefits if employment with us is terminated.

In 2015, we did not grant any stock options and, accordingly, did not recognize any compensation expense for stock options granted under our stock option plan. As of the date of this annual report, we do not have any stock options outstanding.

Item 6C. Board Practices

See Item 6A. Directors and Senior Management Board of Directors and Item 6B. Compensation for information concerning the terms of office and contractual employment arrangements with our directors and executive officers.

Committees of the Board of Directors

We currently have seven committees that serve under the board:

the Board of Directors Management Committee;

the Board Risk Management Committee;

the Audit Committee;

the Compensation Committee;

the Committee for Recommending Audit Committee Member Candidates;

the Committee for Recommending Outside Director Candidates; and

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the Committee for Recommending Executive Officer Candidates.

The board appoints each member of these committees except for members of the Audit Committee, who are elected by our shareholders at the annual general meeting.

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Board of Directors Management Committee

This committee consists of one standing director, one non-standing director and all six outside directors: Kwang-Goo Lee, Kwang-Woo Choi, Il-Hwa Hong, He-Suk Chun, Han-Gi Jung, Ho-Geun Lee, Sung-Soo Koh and Sung-Yong Kim. The chairman is Ho-Geun Lee. This committee, which functions as a steering committee, provides administrative support for the operations of our board of directors. It is responsible for the following:

evaluating directors and executive officers as well as their compensation and employment arrangements;

setting rules and procedures for operations of our board and its various committees;

communicating with shareholders;

addressing corporate governance issues; and

reviewing all reports to be submitted to the board and other matters that are deemed necessary by the board or various sub-committees of the board.

This committee holds regular meetings every quarter.

Board Risk Management Committee

This committee consists of one non-standing director and three outside directors: Kwang-Woo Choi, Han-Gi Jung, Il-Hwa Hong and Ho-Geun Lee. The chairman is Han-Gi Jung. It oversees and makes determinations on all significant issues relating to our risk management system. It implements policies regarding, monitors and has ultimate responsibility for managing credit, market and liquidity risk and asset and liability management. The major roles of the Board Risk Management Committee include:

determining and amending risk management policies, guidelines and limits in conformity with the strategy established by the board of directors;

determining the appropriate level of risks that we should be willing to undertake, including in connection with key business activities such as acquisitions, investments or entering into new business areas, prior to a decision by the board of directors on such matters;

allocating risk capital and approving our business units' risk limit requests;

reviewing our risk profile, including the level of risks we are exposed to and the status of our risk management operations; and

monitoring our compliance with our risk policies.

The Board Risk Management Committee regularly receives reports from the Executive Risk Management Committee as well as the Risk Management Department, which in turn receives reports from subsidiary level risk management committees and units. See Item 11. Quantitative and Qualitative Disclosures about Market Risk. The committee holds regular meetings every quarter.

Audit Committee

This committee consists of three outside directors and one standing director: Sung-Yong Kim, He-Suk Chun, Sung-Soo Koh and Soo-Kyung Chung. The chairman is He-Suk Chun. It reviews all audit and compliance-related matters and makes recommendations to our board. The Audit Committee, whose members must meet certain qualifications as experts under the committee charter, is also responsible for the following:

formulating, executing, evaluating and managing internal audit plans (including the financial and operational audits);

approving the appointment and dismissal of the head of the audit team;

approving the appointment of external auditors and evaluating the activities carried out by external auditors;

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formulating appropriate measures to correct problems identified from internal audits;

overseeing our reporting systems in light of relevant disclosure rules and requirements to ensure compliance with applicable regulations; and

examining internal procedures or making decisions on material matters that are related to audits as determined by the regulatory authorities, our board or other committees.

This committee also makes recommendations on regulatory issues to the Financial Supervisory Service, if and when deemed necessary. In addition, in connection with general meetings of shareholders, the committee examines the agenda for, and financial statements and other reports to be submitted by the board of directors, to each general meeting of shareholders. The internal and external auditors report directly to the Audit Committee chairman. Our external auditor is invited to attend meetings of this committee when needed or when matters pertaining to the audit are discussed.

The committee holds regular meetings every quarter or as necessary.

Compensation Committee

This committee consists of five of our outside directors: Sung-Soo Koh, Il-Hwa Hong, He-Suk Chun, Han-Gi Jung and Ho-Geun Lee. The chairman is Sung-Soo Koh. It is responsible for all matters relating to the following:

evaluating management's performance in developing our business;

setting goals and targets with respect to executive performance; and

fixing executive compensation, including incentives and bonuses.

This committee holds regular meetings every quarter.

Committee for Recommending Audit Committee Member Candidates

This committee consists of all six of our outside directors: Il-Hwa Hong, He-Suk Chun, Han-Gi Jung, Ho-Geun Lee, Sung-Soo Koh and Sung-Yong Kim. The chairman is Il-Hwa Hong. This committee holds meetings when an Audit Committee member needs to be appointed.

Committee for Recommending Outside Director Candidates

This committee consists of one standing director, one non-standing director and all six outside directors: Kwang-Goo Lee, Kwang-Woo Choi, Il-Hwa Hong, He-Suk Chun, Han-Gi Jung, Ho-Geun Lee, Sung-Soo Koh and Sung-Yong Kim. The chairman is Il-Hwa Hong. This committee holds meetings when an outside director needs to be appointed.

Committee for Recommending Executive Officer Candidates

This committee consists of four outside directors, one shareholder representative and two outside experts. The outside directors are Il-Hwa Hong, He-Suk Chun, Han-Gi Jung and Ho-Geun Lee, the shareholder representative is appointed by the KDIC, our major shareholder, and the outside experts are appointed at least 30 days prior to the notice to convene the shareholders' meeting to appoint the president and chief executive officer. The chairman is Il-Hwa Hong. This committee holds meetings when our president and chief executive officer needs to be appointed.

Table of Contents**Item 6D. Employees**

As of December 31, 2015, we had a total of 15,270 full-time employees, excluding employees of our subsidiaries. The following table sets forth information regarding our employees as of the dates indicated:

	As of December 31,		
	2013	2014	2015
Full-time employees	15,056	15,075	15,270
Contractual employees	222	398	583
Total	15,278	15,473	15,853

Approximately 75.0% of our employees as of December 31, 2015 were members of the Korea Financial Industry Union. We have not experienced any significant labor disputes in recent years, although we have made certain concessions to our labor unions. See Item 3D. Risk Factors Other risks relating to our business Labor union unrest may disrupt our operations and hinder our ability to continue to reorganize our operations. We have placed a high priority on our relationship with our employees and on maintaining an atmosphere of trust and cooperation between our labor and management.

Our salary system with respect to our employees is based on a combination of the agreed-upon base salary and bonuses reflecting the work productivity and performance of each employee and the relevant business unit. We believe that the salaries we pay to our employees and management are similar to those of other large financial institutions in Korea. We evaluate employees twice a year (usually in January and July), based on our business performance and evaluations provided by co-workers and superiors. With respect to our compensation program, we do not provide housing leases or loans to our employees.

We operate a wage peak system, under which an employee's wages reach a certain peak and then are gradually reduced as the employee reaches retirement age. We are also planning to extend a performance-based pay system to all of our employees, as it currently applies only to those who are in the position of deputy general manager or higher as well as certain departments (such as the Investment Banking Department).

We have an employee stock ownership association, which purchases our shares at the request of our employees using their own funds. We do not provide any compensation benefits to employees through such purchases, although the association is entitled to certain pre-emptive rights. See Item 10B. Memorandum and Articles of Association Pre-emptive Rights and Issuances of Additional Shares.

We also provide a wide range of benefits to our employees, including medical insurance, employment insurance, workers compensation, life insurance, financial aid for children's tuition and pension plans.

In accordance with the National Pension Act, we contribute an amount equal to 4.5% of employee wages, and each employee contributes 4.5% of his or her wages, into each employee's personal pension account. In addition, in accordance with the Guarantee of Worker's Retirement Benefits Act, we have adopted a retirement pension plan for our employees. Contributions under the retirement pension plan are deposited annually into a selected financial institution, and an employee may elect to receive a monthly pension or a lump-sum amount upon retirement. Our retirement pension plan is in the form of a defined benefit plan, which guarantees a certain payout at retirement according to a fixed formula based on the employee's average salary and the number of years for which the employee has been a plan member. Under Korean law, we may not terminate the employment of full-time employees except under certain limited circumstances.

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Common Stock**

As of April 22, 2016, the persons who are currently our directors or executive officers, as a group, held an aggregate of 194,009 shares of our common stock. None of these persons individually held more than 1% of our outstanding common stock as of such date. The following table presents information regarding our directors and executive officers who beneficially owned our shares as of April 22, 2016.

Name of Executive Officer or Director	Number of Shares of Common Stock
Kwang-Goo Lee	21,251
Dong-Gun Lee	10,000
Ki-Myung Nam	8,049
Tae-Seung Sohn	12,296
Won-Jai Jeong	17,683
Woo-Seok Chae	47,967
Jai-Won Kim	12,972
Hong-Hee Kim	10,183
Hong-Koo Kim	15,183
Jae-Hyun Cho	8,000
Jung-Hoon Choi	13,272
Dong-Bin Lee	17,153
Total	194,009

Stock Options

As of December 31, 2015, our directors and executive officers did not hold any stock options. As of the date of this annual report, we do not have any stock options outstanding.

Item 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**Item 7A. Major Shareholders**

The following table presents information regarding the beneficial ownership of our common stock at April 22, 2016 by each person or entity known to us to own beneficially more than 5% of the outstanding shares of our common stock:

Except as otherwise indicated, each shareholder identified by name has:

sole voting and investment power with respect to its shares; and

record and beneficial ownership with respect to its shares.

Beneficial Owner	Number of Shares of Common Stock	Percentage of Total Shares of Common Stock	Percentage of Total Shares on a Fully
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			Diluted Basis
KDIC	345,142,556	51.06	51.06

As of April 22, 2016, our president and chief executive officer owned 21,251 shares of our common stock. Our executive officers (excluding our president and chief executive officer) collectively owned 172,758 shares of our common stock. None of our outside directors owned any shares of our common stock.

Other than as set forth above, no other person or entity known by us to be acting in concert, directly or indirectly, jointly or separately, owned 5.0% or more of the outstanding shares of our common stock or exercised control or could exercise control over us as of April 22, 2016.

Table of Contents**Item 7B. Related Party Transactions**

We regularly engage in transactions with entities affiliated with the government, which as of April 22, 2016 owned 51.06% of our shares through the KDIC. Generally, these transactions include the extension of loans, the purchase of debt securities and other ordinary course activities relating to our banking business. For a description of such transactions, see Item 4B. Business Overview Assets and Liabilities.

We have entered into a memorandum of understanding with the KDIC, under which we must meet specific financial targets, or the KDIC has the right to impose sanctions on our directors or employees or to require us to take certain actions. See Item 4A. History and Development of the Company History Memoranda of Understanding. In addition, as of December 31, 2015, we owned 548 billion of debentures issued by the KDIC, representing 1.6% of our investment securities.

As of December 31, 2015, we also had loans outstanding to our executive officers and directors in the aggregate amount of 827 million.

All of these loans were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectability or present other unfavorable features.

None of our directors or officers has or had any interest in any transactions effected by us that are or were unusual in their nature or conditions or significant to our business which were effected during the current or immediately preceding year or were effected during an earlier year and remain in any respect outstanding or unperformed.

**Item 7C. Interest of Experts and Counsel
Not Applicable****Item 8. FINANCIAL INFORMATION****Item 8A. Consolidated Statements and Other Financial Information**

See Item 18. Financial Statements and pages F-1 through F-132.

Legal Proceedings

As a financial institution with diverse operations, we are subject to legal proceedings and regulatory actions in the ordinary course of our business.

In September 2012, we filed a lawsuit in the Seoul Central District Court against Korea Trade Insurance Corporation, or K-sure, with respect to its obligations under a refund guarantee insurance agreement between us and K-sure relating to a refund guarantee we had issued on behalf of SLS Shipbuilding Co., Ltd. (currently known as ShinaSB Yard Co., Ltd.). We sought to recover insurance proceeds from K-sure pursuant to the agreement, as we had made payments to another party under the refund guarantee upon such party's termination of the shipbuilding agreement due to an alleged breach of the agreement by SLS Shipbuilding. In July 2013, the Seoul Central District Court ruled against K-sure and required it to pay us 45.9 billion in monetary damages. K-sure paid the entire amount to us to avoid the accrual of additional interest but appealed the decision to the Seoul High Court in July 2013, which reversed the trial court's decision against K-sure on April 30, 2015. We returned 49.9 billion, consisting of the monetary damages paid to us and accrued interest, to K-sure on the same day to avoid the accrual of additional interest. In May 2015, we appealed the case to the Supreme Court of Korea, which reversed and remanded the appellate court's decision in January 2016, and K-sure returned 47.3 billion to us the following day. In March 2016, the appellate court ruled in favor of us, and the decision became final in April 2016.

In July 2012, the Korea Fair Trade Commission commenced an investigation into alleged collusion among domestic financial institutions, including banks and securities companies, in setting interest rates applicable to three-month certificates of deposit. Such rates were used as the primary benchmark for banks' floating lending.

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rates before a new benchmark rate for bank lending was introduced in December 2012. In February 2016, the Korea Fair Trade Commission sent its formal written report of findings to six commercial banks, including us, and the respondents submitted their response briefs in April 2016. It has been reported that the Korea Fair Trade Commission plans to hold a hearing as early as May 2016 and announce a final decision regarding its investigation thereafter. An adverse decision by the Korea Fair Trade Commission could subject us to additional claims and actions, including by our lending customers. While we plan to defend vigorously against the allegations and may seek a review by the Korean courts of any adverse decision by the Korea Fair Trade Commission, the ultimate outcome of such investigation and any subsequent court review remains uncertain and we cannot evaluate the probability of a favorable or unfavorable outcome or estimate the potential loss to us in the event of an unfavorable outcome.

Dividends

We declare our dividend annually at the annual general meeting of shareholders. We generally hold this meeting within three months after the end of each fiscal year. We must pay the annual dividend to the shareholders of record as of the end of the preceding fiscal year within one month after that meeting. We can distribute the annual dividend either in cash or in stock. Cash dividends may be paid out of retained earnings that have not been appropriated to statutory reserves.

The table below sets forth the dividend per share of common stock and the total amount of dividends declared by us or Woori Finance Holdings, as applicable, in respect of the years ended December 31, 2013, 2014 and 2015. The dividends set forth below with respect to each year were declared, paid and recorded in the following year.

Fiscal year	Dividends Per Share of Common Stock (in Won)	Total Amount Of Cash Dividends Paid (in millions of Won)
2013		
2014	500	336,635
2015	500	336,635

Future dividends will depend upon our revenues, cash flow, financial condition and other factors. As an owner of ADSs, you will be entitled to receive dividends payable in respect of the shares of common stock represented by such ADSs.

For a description of the tax consequences of dividends paid to our shareholders, see Item 10E. Taxation United States Taxation Dividends and Korean Taxation Taxation of Dividends on Common Shares or ADSs.

**Item 8B. Significant Changes
Not Applicable**

Item 9. THE OFFER AND LISTING

**Item 9A. Offering and Listing Details
Market Price Information**

The principal trading market for our common stock is the KRX KOSPI Market. Woori Finance Holdings common stock was listed on the KRX KOSPI Market on June 24, 2002, and was suspended from trading from October 30, 2014 and de-listed on November 18, 2014 following the merger of Woori Finance Holdings with us. Our common stock, which is in registered form and has a par value of 5,000 per share of common stock, was newly listed on the KRX KOSPI Market under the identifying code 000030 on November 19, 2014 following the merger. As of the date of this annual report, we have 673,271,226 shares of common stock outstanding. Woori Finance Holdings ADSs were listed on the New York Stock Exchange and identified by the

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symbol WF since September 29, 2003, and were traded under the CUSIP number 981063100. Following the merger, we succeeded to Woori Finance Holdings listing on the New York Stock Exchange. Our ADSs are identified by the symbol WF and are traded under the CUSIP number 98105T104.

The table below sets forth, for the periods indicated, the high and low closing prices and the average daily volume of trading activity on the KRX KOSPI Market for our or Woori Finance Holdings common stock, as applicable, and the high and low closing prices and the average daily volume of trading activity on the New York Stock Exchange for our or Woori Finance Holdings ADSs, as applicable.

	KRX KOSPI Market			New York Stock Exchange ⁽¹⁾			
	Closing Price Per Common Stock		Average Daily Trading Volume (in thousands of shares)	Closing Price Per ADS		Average Daily Trading Volume (in shares)	
	High	Low		High	Low		
2011	15,900	8,500	3,658	42.94	22.19	14,892	
2012	13,600	10,300	2,203	36.18	23.92	14,866	
2013	13,500	9,800	1,676	38.33	25.09	13,557	
2014	14,550	10,000	1,785	42.41	27.05	4,936	
First Quarter	13,300	11,600	1,455	38.33	32.23	6,134	
Second Quarter	12,750	11,650	1,760	37.36	32.42	5,721	
Third Quarter	14,550	11,800	1,462	42.41	34.79	4,078	
Fourth Quarter	13,100	10,000	2,456	36.23	27.05	3,405	
2015	11,200	8,780	2,246	31.32	22.03	6,229	
First Quarter	10,100	8,780	2,237	27.38	23.65	4,925	
Second Quarter	11,200	9,140	3,239	31.32	25.35	6,564	
Third Quarter	9,740	8,840	1,969	26.16	22.03	5,757	
Fourth Quarter	10,150	8,820	1,556	26.79	22.47	7,635	
October	9,990	9,300	1,724	26.50	24.02	9,942	
November	10,150	9,450	1,334	26.79	24.34	6,285	
December	9,530	8,820	1,611	24.74	22.47	6,661	
2016 (through April 22)							
First Quarter	9,460	8,230	1,481	24.98	20.25	3,550	
January	8,800	8,230	1,335	22.01	20.25	4,081	
February	8,980	8,530	1,479	22.44	21.21	4,291	
March	9,510	8,830	1,616	24.98	21.83	2,418	
April (through April 22)	10,600	9,220	2,029	27.99	23.94	13,464	

Source: KRX KOSPI Market; New York Stock Exchange.

⁽¹⁾ Each ADS represents the right to receive three shares of our common stock.

Item 9B. Plan of Distribution
Not Applicable

Item 9C. Markets

The KRX KOSPI Market, formerly known as the Stock Market Division of the Korea Exchange, began its operations in 1956. Currently it is the only stock exchange in Korea. It has a single trading floor located in Seoul. The KRX KOSPI Market is a membership organization consisting of most of the Korean securities companies and some Korean branches of foreign securities companies.

As of December 31, 2015, the aggregate market value of equity securities listed on the KRX KOSPI Market was approximately 1,243 trillion. The average daily trading volume of equity securities for 2015 was approximately 455 million shares and the average daily transaction value

was 5,352 billion.

The KRX KOSPI Market has the power in some circumstances to suspend trading in the shares of a given company or to de-list a security pursuant to the Listing Regulation of the KRX KOSPI Market. The KRX KOSPI

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Market also restricts share price movements. All listed companies are required to file accounting reports annually, semiannually and quarterly and to release immediately all information that may affect trading in a security.

The KRX KOSPI Market publishes the KOSPI, which is an index of all equity securities listed on the KRX KOSPI Market, every ten seconds. On January 1, 1983, the method of computing KOSPI was changed from the Dow Jones method to the aggregate value method. In the new method, the market capitalizations of all listed companies are aggregated, subject to certain adjustments, and this aggregate is expressed as a percentage of the aggregate market capitalization of all listed companies as of the base date, January 4, 1980.

The following table sets out movements in KOSPI:

	Opening	High	Low	Closing
1982	123.60	134.48	105.99	128.99
1983	122.52	134.46	115.59	121.21
1984	115.25	142.46	115.25	142.46
1985	139.53	163.37	131.40	163.37
1986	161.40	279.67	153.85	272.61
1987	264.82	525.11	264.82	525.11
1988	532.04	922.56	527.89	907.20
1989	919.61	1,007.77	844.75	909.72
1990	908.59	928.82	566.27	696.11
1991	679.75	763.10	586.51	610.92
1992	624.23	691.48	459.07	678.44
1993	697.41	874.10	605.93	866.18
1994	879.32	1,138.75	855.37	1,027.37
1995	1,013.57	1,016.77	847.09	882.94
1996	888.85	986.84	651.22	651.22
1997	653.79	792.29	350.68	376.31
1998	385.49	579.86	280.00	562.46
1999	587.57	1,028.07	498.42	1,028.07
2000	1,059.04	1,059.04	500.60	504.62
2001	520.95	704.50	468.76	693.70
2002	724.95	937.61	584.04	627.55
2003	635.17	822.16	515.24	810.71
2004	821.26	936.06	719.59	895.92
2005	893.71	1,379.37	870.84	1,379.37
2006	1,389.27	1,464.70	1,203.86	1,434.46
2007	1,435.26	2,064.85	1,355.79	1,897.13
2008	1,853.45	1,888.88	938.75	1,124.47
2009	1,157.40	1,718.88	1,018.81	1,682.77
2010	1,696.14	2,051.00	1,552.79	2,051.00
2011	2,070.08	2,228.96	1,652.71	1,825.74
2012	1,826.37	2,049.28	1,769.31	1,997.05
2013	2,031.10	2,059.58	1,780.63	2,011.34
2014	1,967.19	2,082.61	1,886.85	1,915.59
2015	1,926.44	2,173.41	1,829.81	1,961.31
2016 (through April 22)	1,918.76	2,022.10	1,835.28	2,015.49

Source: The KRX KOSPI Market

Shares are quoted ex-dividend on the first trading day of the relevant company's accounting period. Since the calendar year is the accounting period for the majority of listed companies, this may account for the drop in KOSPI between its closing level at the end of one calendar year and its opening level at the beginning of the following calendar year.

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With certain exceptions, principally to take account of a share being quoted ex-dividend and ex-rights, permitted upward and downward movements in share prices of any category of shares on any day are limited under the rules of the KRX KOSPI Market to 30% of the previous day's closing price of the shares, rounded down as set out below:

Previous Day's Closing Price (Won)	Rounded Down To Won
Less than 1,000	1
1,000 to less than 5,000	5
5,000 to less than 10,000	10
10,000 to less than 50,000	50
50,000 to less than 100,000	100
100,000 to less than 500,000	500
500,000 or more	1,000

As a consequence, if a particular closing price is the same as the price set by the fluctuation limit, the closing price may not reflect the price at which persons would have been prepared, or would be prepared to continue, if so permitted, to buy and sell shares. Orders are executed on an auction system with priority rules to deal with competing bids and offers.

Due to deregulation of restrictions on brokerage commission rates, the brokerage commission rate on equity securities transactions may be determined by the parties, subject to commission schedules being filed with the KRX KOSPI Market by financial investment companies with a dealing and/or brokerage license. In addition, a securities transaction tax of 0.15% of the sales price will generally be imposed on the transfer of shares or certain securities representing rights to subscribe for shares. See Item 3D. Risk Factors Risks relating to our common stock and ADSs. An agriculture and fishery special surtax of 0.15% of the sales prices will also be imposed on transfer of these shares and securities on the KRX KOSPI Market. See Item 10E. Taxation Korean Taxation.

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The number of companies listed on the KRX KOSPI Market, the corresponding total market capitalization at the end of the periods indicated and the average daily trading volume for those periods are set forth in the following table:

Year	Market Capitalization on the Last Day of Each Period			Average Daily Trading Volume, Value		
	Number of Listed Companies	(billions of)	(millions of US\$) ⁽¹⁾	(thousands of Shares)	(millions of)	(thousands of US\$) ⁽¹⁾
1982	334	3,001	US\$ 4,279	9,704	6,667	US\$ 9,507
1983	328	3,490	4,666	9,325	5,941	7,944
1984	336	5,149	6,434	14,847	10,642	13,301
1985	342	6,570	7,921	18,925	12,315	14,846
1986	355	11,994	13,439	31,755	32,870	36,830
1987	389	26,172	30,250	20,353	70,185	81,120
1988	502	64,544	81,177	10,367	198,364	249,483
1989	626	95,477	138,997	11,757	280,967	409,037
1990	669	79,020	115,610	10,866	183,692	268,753
1991	686	73,118	101,623	14,022	214,263	297,795
1992	688	84,712	110,691	24,028	308,246	402,779
1993	693	112,665	142,668	35,130	574,048	726,919
1994	699	151,217	185,657	36,862	776,257	953,047
1995	721	141,151	178,266	26,130	487,762	616,016
1996	760	117,370	151,289	26,571	486,834	627,525
1997	776	70,989	82,786	41,525	555,759	648,115
1998	748	137,799	81,297	97,716	660,429	389,634
1999	725	349,504	294,319	278,551	3,481,620	2,931,891
2000	704	188,042	166,703	306,163	2,602,211	2,306,925
2001	689	255,850	200,039	473,241	1,997,420	1,561,705
2002	683	258,681	217,379	857,245	3,041,598	2,308,789
2003	684	355,363	298,123	542,010	2,216,636	1,859,594
2004	683	412,588	398,597	372,895	2,232,108	2,156,418
2005	702	655,075	648,589	467,629	3,157,662	3,126,398
2006	731	704,588	757,621	279,096	3,435,180	3,693,742
2007	745	951,900	1,017,205	363,741	5,539,653	5,919,698
2008	763	576,888	457,122	355,205	5,189,644	4,112,238
2009	770	887,935	763,027	485,657	5,795,426	4,980,172
2010	777	1,141,885	981,254	380,859	5,619,768	4,829,224
2011	791	1,041,999	899,438	353,759	6,863,146	5,924,166
2012	784	1,154,294	1,085,679	486,480	4,823,643	4,536,740
2013	777	1,185,974	1,123,826	328,325	3,993,422	3,784,158
2014	773	1,192,253	1,092,908	278,082	3,983,580	3,651,646
2015	770	1,242,832	1,062,885	455,256	5,351,734	4,576,870
2016 (through April 22)	769	1,276,836	1,112,372	361,995	4,586,928	3,996,104

Source: The KRX KOSPI Market

⁽¹⁾ Converted at the noon buying rate of the Federal Reserve Bank of New York on the last business day of the period indicated.

The Korean securities markets are principally regulated by the Financial Services Commission and the Financial Investment Services and Capital Markets Act, which replaced the Korean Securities Exchange Act in February 2009. The Financial Investment Services and Capital Markets Act imposes restrictions on insider trading, price manipulation and deceptive action (including unfair trading), requires specified information to be made available by listed companies to investors and establishes rules regarding margin trading, proxy solicitation, takeover bids, acquisition of treasury shares and reporting requirements for shareholders holding substantial interests.

Table of Contents**Protection of Customer's Interest in Case of Insolvency of Financial Investment Companies with a Brokerage License**

Under Korean law, the relationship between a customer and a financial investment company with a brokerage license in connection with a securities sell or buy order is deemed to be consignment and the securities acquired by a consignment agent (i.e., the financial investment company with a brokerage license) through such sell or buy order are regarded as belonging to the customer in so far as the customer and the consignment agent's creditors are concerned. Therefore, in the event of a bankruptcy or reorganization procedure involving a financial investment company with a brokerage license, the customer of such financial investment company is entitled to the proceeds of the securities sold by such financial investment company.

When a customer places a sell order with a financial investment company with a brokerage license which is not a member of the KRX KOSPI Market, and such financial investment company places a sell order with another financial investment company with a brokerage license, which is a member of the KRX KOSPI Market, the customer is still entitled to the proceeds of the securities sold and received by the non-member company from the member company regardless of the bankruptcy or reorganization of the non-member company.

Under the Financial Investment Services and Capital Markets Act, the KRX KOSPI Market is obliged to indemnify any loss or damage incurred by a counterparty as a result of a breach by its members. If a financial investment company with a brokerage license that is a member of the KRX KOSPI Market breaches its obligation in connection with a buy order, the KRX KOSPI Market is obliged to pay the purchase price on behalf of the breaching member. Therefore, the customer can acquire the securities that have been ordered to be purchased by the breaching member.

When a customer places a buy order with a non-member company and the non-member company places a buy order with a member company, the customer has the legal right to the securities received by the non-member company from the member company because the purchased securities are regarded as belonging to the customer in so far as the customer and the non-member company's creditors are concerned.

As the cash deposited with a financial investment company with a brokerage license is regarded as belonging to such financial investment company, which is liable to return the same at the request of its customer, the customer cannot take back deposited cash from such financial investment company if a bankruptcy or reorganization procedure is instituted against such financial investment company and, therefore, can suffer from loss or damage as a result. However, the Depositor Protection Act provides that the KDIC will, upon the request of the investors, pay investors an amount equal to the full amount of cash deposited with a securities company prior to August 1, 1998 in case of the securities company's bankruptcy, liquidation, cancellation of securities business license or other insolvency events. However, this indemnification was available only until the end of 2000. From 2001, the maximum amount to be paid to each customer is limited to 50 million. Pursuant to the Financial Investment Services and Capital Markets Act, as amended, financial investment companies with a dealing and/or brokerage license are required to deposit the cash received from its customers to the extent the amount is not covered by the insurance with the Korea Securities Finance Corporation, a special entity established pursuant to the Financial Investment Services and Capital Markets Act. Set-off or attachment of cash deposits by such financial investment companies is prohibited. The premiums related to this insurance are paid by such financial investment companies.

Reporting Requirements for Holders of Substantial Interests

Any person who directly or beneficially owns shares of our common stock that have voting rights, whether in the form of shares, ADSs, certificates representing the rights to subscribe for shares or equity-related debt securities (including convertible bonds and bonds with warrants) (which we refer to collectively as Equity Securities) that, when taken together with the Equity Securities beneficially owned by specified related persons or by any person acting in concert with that person, account for 5% or more of our total issued and outstanding shares (plus the Equity Securities other than the shares held by such persons) must report that holding to the Financial Services Commission and the KRX KOSPI Market no more than five business days after reaching 5%. That person must also report any subsequent change in the ownership interest of 1% or more of our total outstanding shares (plus the Equity Securities other than the shares held by such persons) to the same entities no more than five business days after the change.

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Anyone violating these reporting requirements may suffer criminal sanctions, including fines, imprisonment, an administrative fine of up to 0.001% of the aggregate market value of total issued and outstanding stock of 500 million, whichever is lower, and/or a loss of voting rights with respect to the ownership of Equity Securities exceeding 5% of the total issued and outstanding Equity Securities with respect to which the reporting requirements were violated. Furthermore, the Financial Services Commission may order that person to dispose of the unreported Equity Securities.

In addition to the reporting requirements described above, any person whose direct or beneficial ownership of our stock accounts for 10% or more of the total issued and outstanding stock (which we refer to as a major shareholder) must report the status of its shareholding to the Korea Securities Futures Commission and the KRX KOSPI Market within five days after becoming a major shareholder. In addition, the major shareholder must report any subsequent change in its ownership interest to those same entities within five days of the occurrence of the change. A major shareholder that violates these reporting requirements may suffer criminal sanctions, including fines or imprisonment.

Restrictions Applicable to ADSs

An investor does not need Korean governmental approval to sell or purchase our ADSs in the secondary market outside Korea or to withdraw shares of our common stock from our ADS deposit facility or deliver those withdrawn shares in Korea. However, a foreign investor who intends to acquire shares must obtain an investment registration card from the Financial Supervisory Service as described below. Either the foreign investor or its standing proxy in Korea must immediately report its acquisition of the shares to the governor of the Financial Supervisory Service.

Persons who acquire shares of our common stock by withdrawing those shares from our ADS deposit facility may exercise their preemptive rights for new shares, participate in free distributions and receive dividends on shares without any further Korean governmental approval.

Restrictions Applicable to Shares

As a result of amendments to the Foreign Exchange Transaction Laws and Financial Services Commission regulations (which we refer to collectively as the Investment Rules) adopted since January 1992 in connection with the opening and operation of Korea's stock market, foreign investors may generally invest, with limited exceptions and subject to procedural requirements, in all shares of Korean companies, whether listed on the KRX KOSPI Market or registered on the KRX KOSDAQ Market. Foreign investors may trade shares listed on the KRX KOSPI Market or registered on the KRX KOSDAQ Market only through the KRX KOSPI Market or the KRX KOSDAQ Market, except in limited circumstances. These circumstances include:

odd-lot share trading;

acquiring shares (which we refer to as Converted Shares) by exercising warrants, conversion rights or exchange rights under bonds with warrants, convertible bonds or exchangeable bonds or withdrawal rights under depositary receipts issued outside of Korea by a Korean company;

acquiring shares through inheritance, donation, bequest or exercise of shareholders' rights, including pre-emptive rights or rights to participate in free distributions and receive dividends;

subject to certain exceptions, over-the-counter transactions between foreign investors of a class of shares for which the limit on aggregate acquisition by foreign investors, as explained below, has been reached or exceeded; and

sale and purchase of shares at fair value between foreigners who are part of an investor group comprised of foreign companies investing under the control of a common investment manager pursuant to applicable laws or contract.

For over-the-counter transactions between foreign investors outside the KRX KOSPI Market or the KRX KOSDAQ Market involving a class of shares for which the limit on aggregate acquisition by foreign investors

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has been reached or exceeded, a financial investment company with a brokerage license in Korea must act as an intermediary. Odd-lot trading of shares outside the KRX KOSPI Market or the KRX KOSDAQ Market must involve a financial investment company with a dealing license in Korea as the other party. Foreign investors may not engage in margin transactions by borrowing shares from financial investment companies with a dealing and/or brokerage license with respect to shares that are subject to a foreign ownership limit.

The Investment Rules require a foreign investor who wishes to invest in shares on the KRX KOSPI Market or the KRX KOSDAQ Market (including Converted Shares and shares being issued for initial listing on the KRX KOSPI Market or registration on the KRX KOSDAQ Market) to register with the Financial Supervisory Service before making an investment. This registration requirement does not apply to foreign investors who acquire Converted Shares with the intention of selling the Converted Shares within three months from the acquisition date. The Financial Supervisory Service will issue an investment registration card to each registering foreign investor. This card must be presented each time the foreign investor opens a brokerage account with a financial investment company with a brokerage license. Foreign investors eligible to obtain an investment registration card include:

foreign nationals who have not been residing in Korea for a consecutive period of six months or more;

foreign governments;

foreign municipal authorities;

foreign public institutions;

international financial institutions or similar international organizations;

corporations incorporated under foreign laws; and

any person in any additional category designated under the Enforcement Decree of the Financial Investment Services and Capital Markets Act.

All Korean offices of a foreign corporation (as a group) are treated as a separate foreign investor from the offices of the corporation outside Korea for these purposes. However, a foreign corporation or depository issuing depository receipts may obtain one or more investment registration cards in its name in certain circumstances identified in the relevant regulations.

When a foreign investor purchases shares through the KRX KOSPI Market or the KRX KOSDAQ Market, it need not make a separate report because the investment registration card system is designed to control and oversee foreign investment through a computer system. If, however, a foreign investor acquires or sells shares outside the KRX KOSPI Market or the KRX KOSDAQ Market, that investor or its standing proxy must report that transaction to the governor of the Financial Supervisory Service at that time. In addition, if a foreign investor acquires or sells its shares in connection with a tender offer, odd-lot trading of shares or trades of a class of shares for which the aggregate foreign ownership limit has been reached or exceeded, that investor or its standing proxy must ensure that the financial investment company engaged to facilitate the transaction reports the transaction to the governor of the Financial Supervisory Service. Also, sale and purchase of shares at fair value between foreigners who are part of an investor group comprised of foreign companies investing under the common control of a common investment manager pursuant to applicable laws or contract are required to be reported to the governor of the Financial Supervisory Service. A foreign investor may appoint a standing proxy to exercise shareholders' rights or perform any matters related to the foregoing activities if that investor does not perform these activities itself. A foreign investor may be exempted from complying with the standing proxy rules with the approval of the governor of the Financial Supervisory Service in cases deemed unavoidable by reason of conflict between laws of Korea and the home country of the foreign investor.

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Certificates evidencing shares of Korean companies must be kept in the custody of an eligible custodian in Korea. The same entities eligible to act as a standing proxy are eligible to act as a custodian of shares for a non-resident or foreign investor. A foreign investor must ensure that its custodian deposits its shares with the Korea Securities Depository. A foreign investor may be exempted from complying with this deposit requirement with

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the approval of the governor of the Financial Supervisory Service in circumstances where compliance with that requirement is made impracticable, including cases where compliance would contravene the laws of the foreign investors' home country.

Under the Investment Rules, with certain limitations, foreign investors may acquire shares of a Korean company without being subject to any foreign investment limit. Under one of these limitations, foreign investors may acquire no more than 40% of the outstanding share capital of designated public corporations. In addition, designated public corporations may set a limit on the acquisition of shares by a single person in their articles of incorporation. Currently, the Korea Electric Power Corporation is the only designated public corporation that has set this limit. If a foreign investor acquires 10% or more of the outstanding shares with voting rights of a Korean company, that investment constitutes a foreign direct investment under the Foreign Investment Promotion Act of Korea. Generally, a foreign direct investment must be reported to the Ministry of Trade, Industry and Energy of Korea. The acquisition of a Korean company's shares by a foreign investor may be subject to certain foreign or other shareholding restrictions in the event that the restrictions are prescribed in a specific law that regulates the business of the Korean company. For a description of the restrictions applicable to Korean banks, see Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Banks.

Under the Foreign Exchange Transaction Laws, a foreign investor who intends to acquire shares must designate a foreign exchange bank at which he must open a foreign currency account and a Won account exclusively for stock investments. Approval is not required for remittance into Korea and deposit of foreign currency funds in the foreign currency account. Foreign currency funds may be transferred from the foreign currency account at the time required to place a deposit for, or settle the purchase price of, a stock purchase transaction to a Won account opened at a financial investment company with a dealing and/or brokerage license. Funds in the foreign currency account may be remitted abroad without any Korean governmental approval.

Dividends on shares of Korean companies are paid in Won. Korean governmental approval is not required for foreign investors to receive dividends on, or the Won proceeds from the sale of, any shares to be paid, received and retained in Korea. Dividends paid on, and the Won proceeds of the sale of, any shares held by a non-resident of Korea must be deposited either in a Won account with the investor's financial investment company with a dealing and/or brokerage license or in its own Won account. Funds in a foreign investor's Won account may be transferred to its foreign currency account or withdrawn for local living expenses up to certain limits. These funds may also be used to make future investments in shares or to pay the subscription price of new shares obtained through the exercise of pre-emptive rights.

Financial investment companies with a dealing or brokerage license may open foreign currency accounts with foreign exchange banks exclusively to accommodate foreign investors' stock investments in Korea. Through these accounts, financial investment companies with a dealing or brokerage license may enter into limited foreign exchange transactions, such as converting foreign currency funds and Won funds, either as a counterparty to or on behalf of foreign investors, without the investors having to open their own accounts with foreign exchange banks.

Item 9D. *Selling Shareholders*
Not Applicable

Item 9E. *Dilution*
Not Applicable

Item 9F. *Expenses of the Issuer*
Not Applicable

Item 10. **ADDITIONAL INFORMATION**

Table of Contents**Item 10A. Share Capital**
Not Applicable**Item 10B. Memorandum and Articles of Association**
Description of Capital Stock

We have set forth below information relating to our capital stock, including brief summaries of some of the provisions of our articles of incorporation, the Korean Commercial Code, Financial Investment Services and Capital Markets Act, and other related laws of Korea. These summaries do not purport to be complete and are subject to our articles of incorporation, and the applicable provisions of the Financial Investment Services and Capital Markets Act, the Korean Commercial Code and those related laws.

Our authorized share capital is 5,000,000,000 shares. Our articles of incorporation authorize us to issue:

shares of common stock, par value 5,000 per share;

class shares, par value 5,000 per share.

Subject to applicable laws and regulations, our articles of incorporation authorize us to issue a number of class shares equal to as much as one-half of all of the issued and outstanding shares.

As of the date of this annual report, 676,000,000 shares of common stock were issued and 673,271,226 shares of common stock were outstanding. Pursuant to our articles of incorporation, which was last amended on March 25, 2016, we are authorized to issue various types of class shares, which include shares of voting and non-voting preferred stock, convertible stock, redeemable preferred stock and hybrid securities comprising one or more elements of the foregoing types of shares. There are no class shares currently outstanding. All of the issued and outstanding shares are fully paid and non-assessable and are in registered form. As of the date of this annual report, our authorized but unissued share capital was 4,324,000,000 shares. We may issue the unissued shares without further shareholder approval, but these issuances are subject to a board resolution as provided in the articles of incorporation. See Pre-emptive Rights and Issuances of Additional Shares and Dividends and Other Distributions Distribution of Free Shares. For a discussion of the history of our share capital, see Note 28 of the notes to our consolidated financial statements and Item 4A. History and Development of the Company History Establishment of Woori Finance Holdings and Privatization Plan Merger with Woori Finance Holdings.

Our articles of incorporation allow our shareholders, by special resolution, to grant to our officers, directors and employees stock options exercisable for up to 15% of the total number of our issued and outstanding shares. Our board of directors may also grant stock options exercisable for up to 1% of our issued and outstanding shares. However, any grant by our board of directors must be approved by our shareholders at their next general meeting convened immediately after the grant date. As of December 31, 2015, our officers, directors and employees did not hold any options to purchase shares of common stock. See Item 6E. Share Ownership.

We issue share certificates in denominations of one, five, ten, 50, 100, 500, 1,000 and 10,000 shares.

Organization

We are a bank established under the Bank Act. We were originally established on January 30, 1899 and incorporated under the laws of Korea on June 19, 1911. We are registered with the commercial registry office of Seoul District Court.

Interests of Directors

Our articles of incorporation provide that any director who has a material interest in the subject matter of a resolution to be taken by the board of directors cannot vote on such resolution. Our articles of incorporation also provide that the remuneration of our directors is to be determined by the resolution of the general meeting of shareholders.

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Our articles of incorporation do not contain any special provisions with respect to the borrowing powers exercisable by directors, their retirement age or a requirement to hold any shares of our capital stock.

See Item 6C. Board Practices for more information on our directors.

Limitation on Liability of Directors

Our articles of incorporation provide that we may, upon the resolution of the general meeting of shareholders, limit the liability of our directors (in their capacity as such) to an amount not less than six times (or three times in case of outside directors) the aggregate amount of the remuneration we paid to such directors during the most recent one-year period, provided that such limitation shall not apply with regard to any liability arising from such directors' gross negligence, willful misconduct or violation of their duties regarding self-dealing or corporate opportunity.

Dividends and Other Distributions

Dividends. We distribute dividends to shareholders in proportion to the number of shares of the relevant class of capital stock they own. Subject to the requirements of the Korean Commercial Code and other applicable laws and regulations, we expect to pay full annual dividends on newly issued stock for the year in which it is issued.

We declare our dividend annually at the annual general meeting of shareholders. We generally hold this meeting within three months after the end of each fiscal year. We must pay the annual dividend to the shareholders of record as of the end of the preceding fiscal year within one month after that meeting. We can distribute the annual dividend in (i) cash, (ii) shares, provided that such shares must be distributed at par value and, if the market price of the shares is less than their par value, dividends in shares may not exceed one-half of the total annual dividend (including dividends in shares) or (iii) other forms of consideration. In addition, we may declare, and distribute in cash, interim dividends once a year pursuant to a board resolution.

Under the Korean Commercial Code and our articles of incorporation, we do not have an obligation to pay any annual or interim dividend unclaimed for five years from the payment date.

For information regarding taxation of dividends, see Item 10E. Taxation United States Taxation Dividends and Korean Taxation Taxation of Dividends on Common Shares or ADSs.

Distribution of Free Shares. The Korean Commercial Code permits us to pay dividends in the form of shares out of retained or current earnings. It also permits us to distribute to our shareholders, in the form of free shares, an amount transferred from the capital surplus or legal reserve. We would be required to distribute those free shares pro rata to all shareholders.

Pre-emptive Rights and Issuances of Additional Shares

We may issue authorized but unissued shares as our board of directors may determine, unless otherwise provided in the Korean Commercial Code. We must, however, offer any new shares on uniform terms to all shareholders who have preemptive rights and are listed on our shareholders' register as of the applicable record date. Those shareholders are entitled to subscribe for any newly issued shares in proportion to their existing shareholdings. Our articles of incorporation provide, however, that we may issue new shares to persons other than existing shareholders if those shares are:

publicly offered pursuant to Article 165-6 of the Financial Investment Services and Capital Markets Act (where the number of shares so offered may not exceed 50% of our total number of issued shares);

issued to directors or employees as a result of the exercise of stock options we granted to them pursuant to Article 542-3 of the Korean Commercial Code;

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issued to the members of our employee stock ownership association pursuant to Article 165-7 of the Financial Investment Services and Capital Markets Act;

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issued to specified foreign investors or foreign or domestic financial institutions for managerial needs, strategic technology alliances, emergency financing or debt-to-equity swaps by those financial institutions (where the number of shares so offered may not exceed 50% of our total number of issued shares); or

issued to a depository for the purpose of issuing depository receipts pursuant to Financial Investment Services and Capital Markets Act (where the number of shares so offered may not exceed 50% of our total number of issued shares).

We must give public notice of pre-emptive rights for new shares and their transferability not less than two weeks before the record date (excluding the period during which the shareholders' register is closed). We will notify the shareholders who are entitled to subscribe for newly issued shares of the deadline for subscription at least two weeks prior to the deadline. If a shareholder fails to subscribe on or before the deadline, its pre-emptive rights will lapse. Our board of directors may determine how to distribute shares in respect of which preemptive rights have not been exercised or where fractions of shares occur.

Under the Financial Investment Services and Capital Markets Act, each member of our employee stock ownership association, whether or not they are shareholders, has a preemptive right, subject to certain exceptions, to subscribe for up to 20% of any shares we publicly offer. This right is exercisable only so long as the total number of shares so acquired and held by the member does not exceed 20% of the total number of shares then outstanding. As of December 31, 2015, our employees owned 4.29% of our common stock through the employee stock ownership association.

In addition, our articles of incorporation permit us to issue convertible bonds or bonds with warrants, each up to an aggregate principal amount of 1 trillion, to persons other than existing shareholders. Under the Korean Commercial Code, we are permitted to distribute convertible bonds or bonds with warrants to persons other than existing shareholders only when we deem that this distribution is necessary for managerial purposes, such as obtaining new technology or improving our financial condition. In the event we issue new shares, the foregoing provision would be applicable notwithstanding any provision in the articles of incorporation allowing issuance of new shares to persons other than existing shareholders. As of December 31, 2015, we had no convertible bonds or bonds with warrants outstanding.

Voting Rights

Each outstanding share of our common stock is entitled to one vote. However, voting rights may not be exercised for shares that we hold or shares that a corporate shareholder holds, if we directly or indirectly own more than one-tenth of the outstanding capital stock of that shareholder. Our articles of incorporation do not prohibit cumulative voting. Accordingly, the Korean Commercial Code permits holders of an aggregate of 1% or more of our outstanding shares with voting rights to request cumulative voting when electing two or more directors.

The Korean Commercial Code and our articles of incorporation provide that an ordinary resolution may be adopted if the holders of at least a majority of those shares of common stock present or represented at a meeting approve the resolution and the majority also represents at least one-fourth of the total of our issued and outstanding shares of common stock. Holders of non-voting shares are not entitled to vote on any resolution or to receive notice of any general meeting of shareholders, unless the meeting agenda includes considering a resolution on which they are entitled to vote. The Korean Commercial Code provides that a company's articles of incorporation may prescribe conditions for the enfranchisement of non-voting shares. For example, if our annual general meeting resolves not to pay to holders of any class shares the annual dividend determined by the board of directors when we issued those shares, those holders will be entitled to exercise voting rights from the general meeting following the meeting adopting that resolution until the end of a meeting where a resolution is passed declaring payment of a dividend on such class shares. Holders of the enfranchised class shares will have the same rights as holders of common stock to request, receive notice of, attend and vote at a general meeting of shareholders.

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The Korean Commercial Code provides that the holders of at least two-thirds of those shares present or represented at a meeting must approve the adoption of a special resolution, and the special majority must represent at least one-third of the total issued and outstanding shares with voting rights of the company. Special resolutions are required to:

amend the articles of incorporation;

change the authorized share capital of the company;

remove a director;

dissolve, merge or consolidate us;

transfer of the whole or a significant part of our business;

acquire all of the business of another company;

acquire a part of the business of another company that has a material effect on our business of the company; and

issue new shares at a price lower than their par value.

In addition, the holders of each outstanding class of our class shares must adopt a separate resolution in connection with an amendment to our articles of incorporation, any merger or consolidation or in certain other cases where their rights or interests are adversely affected. With respect to each class, holders of at least two-thirds of the class shares present or represented at a meeting must approve the adoption of that resolution, and those holders must hold class shares representing at least one-third of our total issued and outstanding class shares of the same class.

A shareholder may exercise its voting rights by proxy given to another person. The proxy must present the power of attorney before the start of the meeting.

Liquidation Rights

If we are liquidated, the assets remaining after the payment of all our debts, liquidation expenses and taxes will be distributed to shareholders in proportion to the number of shares they hold. Holders of class shares have no preferences in liquidation.

General Meetings of Shareholders

There are two types of general meetings of shareholders: annual general meetings and extraordinary general meetings. We are required to convene our annual general meeting within three months after the end of each fiscal year. Subject to a board resolution or court approval, an extraordinary general meeting of shareholders may be held:

when we deem one necessary;

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at the request of the holders of an aggregate of 3% or more of our outstanding shares;

at the request of the holders of an aggregate of 1.5% or more of our outstanding shares with voting rights who have held those shares for at least six months; or

at the request of our Audit Committee.

Holders of non-voting shares are entitled to request a general meeting only if their non-voting shares have become enfranchised. Meeting agendas will be determined by our board of directors or proposed by holders of an aggregate of 3% or more of our outstanding shares with voting rights or by holders of an aggregate of 0.25% or more of those shares who have held those shares for at least six months by way of a written proposal to our board of directors at least six weeks before the meeting. We must give shareholders written notices or e-mail notices stating the date, place and agenda of the meeting at least two weeks before the date of the meeting. However, we

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may give notice to holders of 1% or less of the total number of issued and outstanding shares that are entitled to vote by placing at least two public notices at least two weeks in advance of the meeting in at least two daily newspapers. Shareholders who are not on the shareholders register as of the record date will not be entitled to receive notice of the general meeting of shareholders or to attend or vote at the meeting. Unless their non-voting shares have been enfranchised, holders of non-voting shares are not entitled to receive notice of or vote at general meetings of shareholders. Holders of enfranchised non-voting shares who are on the shareholders register as of the record date will be entitled to receive notice of the general meeting of shareholders and to attend and vote at the meeting.

We will generally hold our general meeting of shareholders at our head office, which is our registered head office. If necessary, we may hold the meeting anywhere in the vicinity of our head office.

Rights of Dissenting Shareholders

Pursuant to the Financial Investment Services and Capital Markets Act and the Law on the Improvement of the Structure of the Financial Industry, in certain limited circumstances dissenting holders of shares of our common stock and our class shares will have the right to require us to purchase their shares. These circumstances include:

if we transfer all or any significant part of our business;

if we acquire a part of the business of any other company and the acquisition has a material effect on our business; or

if we merge or consolidate with another company.

To exercise this right, shareholders must submit to us a written notice of their intention to dissent prior to the general meeting of shareholders called to approve the transaction in question. Within 20 days (or ten days, in the case of a merger or consolidation under the Law on Improvement of the Structure of the Financial Industry) after the date on which shareholders pass the relevant resolution at the general meeting, the dissenting shareholders must request in writing that we purchase their shares. We must purchase those shares within one month after the end of the request period (within two months after the receipt of the request in the case of a merger or consolidation under the Law on Improvement of the Structure of Financial Industry) at a negotiated price. If we cannot agree with the shareholder on a purchase price through negotiations, the price will be the arithmetic mean of the weighted average of the daily stock prices on the KRX KOSPI Market for:

the two-month period prior to the date the relevant board of directors resolution was adopted;

the one-month period prior to the date the relevant board of directors resolution was adopted; and

the one-week period prior to the date the relevant board of directors resolution was adopted.

Pursuant to the Financial Investment Services and Capital Markets Act, if we or the dissenting shareholders do not accept the purchase price, either party may bring a claim in court.

In the case of a merger or consolidation pursuant to the Law on the Improvement of the Structure of Financial Industry where the Korean government or the KDIC provides financial support, procedures different from those in the case of a merger or consolidation pursuant to the Financial Investment Services and Capital Markets Act will apply. For example, if the relevant parties cannot agree on a purchase price, the price will be determined by an accounting expert and not by the Financial Services Commission. However, a court may adjust this price if we or holders of at least 30% of the shares we must purchase do not accept the purchase price determined by the accounting expert and request an adjustment no later than 30 days from the date of the determination of the purchase price.

Required Disclosure of Ownership

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Under Korean and U.S. law, shareholders who beneficially hold more than a certain percentage of our common stock, or who are related to or are acting in concert with other holders of certain percentages of our

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common stock or our other equity securities, must report their holdings to various governmental authorities. For a description of the required disclosure of ownership, see Item 9C. Markets Reporting Requirements for Holders of Substantial Interests and Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Banks Restriction on Bank Ownership.

Other Provisions

Record Date. The record date for annual dividends is December 31. For the purpose of determining the holders of shares entitled to annual dividends, we may close the register of our shareholders for the period from January 1 until January 31. Further, the Korean Commercial Code and our articles of incorporation permit us, upon at least two weeks' public notice, to set a record date and/or close the register of shareholders for not more than three months for the purpose of determining the shareholders entitled to certain rights pertaining to the shares. The trading of shares and the related delivery of share certificates may continue while the register of shareholders is closed.

Annual and Interim Reports. At least one week before the annual general meeting of shareholders, we must make our annual report and audited financial statements available for inspection at our head office and at all of our branch offices. We must make copies of our annual reports, our audited financial statements and any resolutions adopted at the general meeting of shareholders available to our shareholders.

Under the Financial Investment Services and Capital Markets Act, we must file with the Financial Services Commission and the KRX KOSPI Market:

an annual report within 90 days after the end of each fiscal year;

a half-year report within 45 days after the end of the first six months of each fiscal year; and

quarterly reports within 45 days after the end of the first three months and nine months of each fiscal year.

Copies of these reports will be available for public inspection at the Financial Services Commission and the KRX KOSPI Market.

Transfer of Shares. Under the Korean Commercial Code, share transfers are effected by the delivery of share certificates. The Financial Investment Services and Capital Markets Act provides, however, that in case of a company listed on the KRX KOSPI Market (like us), share transfers can be effected using a book-entry system. The transferee must have its name and address registered on our register of shareholders in order to assert its shareholder's rights. For this purpose, shareholders must file their name, address and seal with us. Non-resident shareholders must tell us the name of their proxy in Korea to which we can send notices. Under current Korean regulations, the following entities may act as agents and provide related services for foreign shareholders:

the Korea Securities Depository;

internationally recognized foreign custodians;

financial investment companies with a dealing license (including domestic branches of foreign financial investment companies with such license);

financial investment companies with a brokerage license (including domestic branches of foreign financial investment companies with such license);

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foreign exchange banks (including domestic branches of foreign banks); and

financial investment companies with a collective investment license (including domestic branches of foreign financial investment companies with such license).

Foreign shareholders may appoint a standing proxy from the foregoing and generally may not allow any person other than the standing proxy to exercise rights to the acquired shares or perform any tasks related thereto on their behalf.

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Foreign exchange controls and securities regulations apply to the transfer of shares by non-residents or non-Koreans. See Item 9C. Markets.

Except as provided in the Bank Act, the maximum aggregate shareholdings of a single shareholder or a person in a special relationship with any shareholder is 10% of our issued and outstanding voting shares. See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Banks Restriction on Bank Ownership.

Our Acquisition of Our Shares. Under the Korean Commercial Code, we may acquire shares of our own capital stock under our name and for our own account upon a resolution of the general meeting of shareholders by either (i) purchasing such shares on the applicable stock exchange with respect to marketable securities traded on such stock exchange or (ii) purchasing shares, other than any redeemable shares as defined in Article 345, Paragraph (1) of the Korean Commercial Code, from each shareholder in proportion to their existing shareholding ratio through the methods set forth in the Enforcement Decree under Article 345, Paragraph (1) of the Korean Commercial Code, provided that the total purchase price may not exceed the amount of our profit that may be distributed as dividends for the immediately preceding fiscal year.

In addition, pursuant to the Financial Investment Services and Capital Markets Act and after submission of certain reports to the Financial Services Commission, we may purchase our own capital stock on the KRX KOSPI Market or through a tender offer. We may also acquire interests in our capital stock through agreements with trust companies, securities investment companies or investment trust management companies. The aggregate purchase price of our capital stock may not exceed the total amount available for distribution of dividends at the end of the preceding fiscal year.

In general, subsidiaries of which we own 50% or more are not permitted to acquire our capital stock.

Item 10C. Material Contracts

In connection with our receipt of public funds, we entered into a memorandum of understanding with the KDIC. Under the current terms of the memorandum of understanding, we are required to meet specified financial targets on a quarterly basis until the end of 2016. See Item 4A. History and Development of the Company History Memoranda of Understanding.

Item 10D. Exchange Controls

General

The Foreign Exchange Transaction Act of Korea and the Enforcement Decree and regulations under that Act regulate investment in Korean securities by non-residents and issuance of securities outside Korea by Korean companies. We collectively refer to these laws and regulations as the Foreign Exchange Transaction Laws. Non-residents may invest in Korean securities only to the extent specifically allowed by the Foreign Exchange Transaction Laws or otherwise permitted by the Ministry of Strategy and Finance. The Financial Services Commission has also adopted regulations that restrict foreign investment in Korean securities and regulate the issuance of securities outside Korea by Korean companies, pursuant to its authority under the Financial Investment Services and Capital Markets Act.

Under the Foreign Exchange Transaction Laws, if the Korean government deems that:

the need to do so is inevitable due to the outbreak of natural calamities, wars, conflict of arms or grave and sudden changes in domestic or foreign economic circumstances or other similar situations, the Ministry of Strategy and Finance may temporarily suspend payment, receipt or the whole or part of transactions to which the Foreign Exchange Transaction Laws apply, or impose an obligation to safe-keep, deposit or sell means of payment in or to certain Korean governmental agencies or financial institutions; and

international balance of payments and international finance are confronted or are likely to be confronted with serious difficulty or the movement of capital between Korea and abroad brings or is likely to bring

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about serious obstacles in carrying out its currency policies, exchange rate policies and other macroeconomic policies, the Ministry of Strategy and Finance may take measures to require any person who intends to perform capital transactions to obtain permission or to require any person who performs capital transactions to deposit part of the payments received in these transactions at certain Korean governmental agencies or financial institutions.

Both of these actions are subject to limitations specified by the Foreign Exchange Transaction Laws.

Restrictions Applicable to Shares

Under the Foreign Exchange Transaction Laws, a foreign investor who intends to acquire shares must designate a foreign exchange bank at which he must open a foreign currency account and a Won account exclusively for stock investments. Approval is not required for remittance into Korea and deposit of foreign currency funds in the foreign currency account. Foreign currency funds may be transferred from the foreign currency account at the time required to place a deposit for, or settle the purchase price of, a stock purchase transaction to a Won account opened at a financial investment company with a dealing and/or brokerage license. Funds in the foreign currency account may be remitted abroad without any Korean governmental approval.

Dividends on shares of Korean companies are paid in Won. Korean governmental approval is not required for foreign investors to receive dividends on, or the Won proceeds from the sale of, any shares to be paid, received and retained in Korea. Dividends paid on, and the Won proceeds of the sale of, any shares held by a non-resident of Korea must be deposited either in a Won account with the investor's financial investment company with a dealing and/or brokerage license or in its own Won account. Funds in a foreign investor's Won account may be transferred to its foreign currency account or withdrawn for local living expenses up to certain limits. These funds may also be used to make future investments in shares or to pay the subscription price of new shares obtained through the exercise of pre-emptive rights.

Financial investment companies with a dealing and/or brokerage license may open foreign currency accounts with foreign exchange banks exclusively to accommodate foreign investors' stock investments in Korea. Through these accounts, such financial investment companies may enter into limited foreign exchange transactions, such as converting foreign currency funds and Won funds, either as a counterparty to or on behalf of foreign investors, without the investors having to open their own accounts with foreign exchange banks.

Item 10E. Taxation

The following summary is based upon tax laws, regulations, rulings, decrees, income tax conventions (treaties), administrative practice and judicial decisions of Korea and the United States as of the date of this annual report, and is subject to any change in the laws of Korea or the United States that may come into effect after such date.

United States Taxation

This summary describes certain material U.S. federal income tax consequences for a U.S. holder (as defined below) of acquiring, owning, and disposing of common shares or ADSs. This summary applies to you only if you hold the common shares or ADSs as capital assets for tax purposes. This summary does not apply to you if you are a member of a class of holders subject to special rules, such as:

a dealer in securities or currencies;

a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;

a bank or financial institution;

a life insurance company;

a tax-exempt organization;

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an entity treated as a partnership or other passthrough entity for U.S. federal income tax purposes;

a person that holds common shares or ADSs that are a hedge or that are hedged against interest rate or currency risks;

a person that holds common shares or ADSs as part of a straddle or conversion transaction for tax purposes;

a person whose functional currency for tax purposes is not the U.S. dollar; or

a person that owns or is deemed to own 10% or more of any class of our stock.

In addition, this summary does not discuss the application of the Medicare net investment income tax or the alternative minimum tax, or any state, local or other tax consequences of purchasing, owning, and disposing of common shares or ADSs. You should consult your own tax advisers concerning the U.S. federal, state, local, and other tax consequences of purchasing, owning, and disposing of common shares or ADSs in your particular circumstances.

This summary is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations promulgated thereunder, and published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

For purposes of this summary, you are a U.S. holder if you are the beneficial owner of a common share or an ADS and are:

a citizen or resident of the United States;

a U.S. domestic corporation; or

otherwise subject to U.S. federal income tax on a net income basis with respect to income from the common share or ADS.

In general, if you are the beneficial owner of ADSs, you will be treated as the beneficial owner of the common shares represented by those ADSs for U.S. federal income tax purposes, and no gain or loss will be recognized if you exchange an ADS for the common share represented by that ADS.

Dividends

The gross amount of cash dividends that you receive (prior to deduction of Korean taxes) generally will be subject to U.S. federal income taxation as foreign source dividend income and will not be eligible for the dividends received deduction. Dividends paid in Won will be included in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date that you receive the dividend (or the depository receives the dividend, in the case of ADSs), regardless of whether the payment is in fact converted into U.S. dollars. If such a dividend is converted into U.S. dollars on the date of receipt, you generally should not be required to recognize foreign currency gain or loss in respect of the dividend income.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual with respect to the ADSs will be subject to taxation at reduced rates if the dividends are qualified dividends. Dividends paid on the ADSs will be treated as qualified dividends if (i) the ADSs are readily tradable on an established securities market in the United States and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company as defined for U.S. federal income tax purposes (PFIC). The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on our audited financial statements, we believe that we were not a PFIC in our 2015 taxable year. In addition, based on our audited financial statements and current expectations regarding our income, assets and activities, we do not anticipate becoming a PFIC for our 2016 taxable year.

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Distributions of additional shares in respect of common shares or ADSs that are made as part of a pro-rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax.

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Sale or Other Disposition

For U.S. federal income tax purposes, gain or loss you realize on a sale or other disposition of common shares or ADSs generally will be treated as U.S. source capital gain or loss, and will be long-term capital gain or loss if the common shares or ADSs were held for more than one year. Your ability to offset capital losses against ordinary income is limited. Long-term capital gain recognized by an individual U.S. holder generally is subject to taxation at reduced rates.

Foreign Tax Credit Considerations

You should consult your own tax advisers to determine whether you are subject to any special rules that limit your ability to make effective use of foreign tax credits. If no such rules apply, you may claim a credit against your U.S. federal income tax liability for Korean taxes withheld from dividends on the common shares or ADSs at the rate provided for under the income tax treaty between the United States and Korea, so long as you have owned the common shares or ADSs (and not entered into specified kinds of hedging transactions) for at least a 16-day period that includes the ex-dividend date. Instead of claiming a credit, you may, if you so elect, deduct such Korean taxes in computing your taxable income, subject to generally applicable limitations under U.S. tax law. Korean taxes withheld from a distribution of additional shares that is not subject to U.S. tax may be treated for U.S. federal income tax purposes as imposed on general category income. Such treatment could affect your ability to utilize any available foreign tax credit in respect of such taxes.

Any Korean securities transaction tax or agriculture and fishery special surtax that you pay will not be creditable for foreign tax credit purposes.

Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions in securities and may not be allowed in respect of arrangements in which a U.S. holder's expected economic profit is insubstantial.

The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions involve the application of complex rules that depend on a U.S. holder's particular circumstances. You should consult your own tax advisers regarding the creditability or deductibility of such taxes.

U.S. Information Reporting and Backup Withholding Rules

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the holder (i) is a corporation or other exempt recipient and demonstrates this when required or (ii) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non-U.S. status in connection with payments received within the United States or through a U.S.-related financial intermediary.

Korean Taxation

The following summary of Korean tax considerations applies to you so long as you are not:

a resident of Korea;

a corporation with its head office, principal place of business or place of effective management in Korea; or

engaged in a trade or business in Korea through a permanent establishment or a fixed base to which the relevant income is attributable or with which the relevant income is effectively connected.

Please consult your own tax advisers as to the Korean, state, local and other tax consequences of the purchase, ownership and disposition of common shares.

Table of Contents***Taxation of Dividends on Common Shares or ADSs***

We will deduct Korean withholding tax from dividends paid to you (whether payable in cash or in shares) at a rate of 22.0% (inclusive of local income surtax). If you are a qualified resident and a beneficial owner of the dividends in a country that has entered into a tax treaty with Korea, you may qualify for a reduced rate of Korean withholding tax. See **Tax Treaties** below for a discussion on treaty benefits. If we distribute to you free shares representing a transfer of earning surplus or certain capital reserves into paid-in capital, that distribution may be subject to Korean withholding tax.

Taxation of Capital Gains from Transfer of Common Shares or ADSs

As a general rule, capital gains earned by non-residents upon transfer of our common shares or ADSs are subject to Korean withholding tax at the lower of (1) 11.0% (inclusive of local income surtax) of the gross proceeds realized or (2) subject to the production of satisfactory evidence of acquisition costs and certain direct transaction costs of the common shares or ADSs, 22.0% (inclusive of local income surtax) of the net realized gain, unless exempt from Korean income taxation under the applicable Korean tax treaty with the non-resident's country of tax residence. See **Tax Treaties** below for a discussion on treaty benefits. Even if you do not qualify for an exemption under a tax treaty, you will not be subject to the foregoing withholding tax on capital gains if you qualify under the relevant Korean domestic tax law exemptions discussed in the following paragraphs.

In regard to the transfer of our common shares through the Korea Exchange, you will not be subject to the withholding tax on capital gains (as described in the preceding paragraph) if you (1) have no permanent establishment in Korea and (2) did not own or have not owned (together with any shares owned by any entity with which you have a certain special relationship) 25% or more of our total issued and outstanding shares, which may include the common shares represented by the ADSs, at any time during the calendar year in which the sale occurs and during the five consecutive calendar years prior to the calendar year in which the sale occurs.

Under Korean tax law, ADSs are viewed as shares of common stock for capital gains tax purposes. Accordingly, capital gains from the sale or disposition of ADSs are taxed (if such sale or disposition constitutes a taxable event) as if such gains are from the sale or disposition of the underlying common shares. Capital gains that you earn (regardless of whether you have a permanent establishment in Korea) from a transfer of ADSs outside of Korea will generally be exempt from Korean income taxation by virtue of the Special Tax Treatment Control Law of Korea, or the STTCL, provided that the issuance of the ADSs is deemed to be an overseas issuance under the STTCL. However, if you transfer ADSs after having converted the underlying common shares, such exemption under the STTCL will not apply and you will be required to file a corporate income tax return and pay tax in Korea with respect to any capital gains derived from such transfer unless the purchaser or a financial investment company with a brokerage license, as applicable, withholds and pays such tax.

If you are subject to tax on capital gains with respect to the sale of ADSs, or of common shares you acquired as a result of a withdrawal, the purchaser or, in the case of the sale of common shares on the Korea Exchange or through a financial investment company with a brokerage license in Korea, the financial investment company, is required to withhold Korean tax from the sales price in an amount equal to the lower of (1) 11.0% (inclusive of local income surtax) of the gross realization proceeds or (2) subject to the production of satisfactory evidence of acquisition costs and certain direct transaction costs of the common shares or ADSs, 22.0% (inclusive of local income surtax) of the net realized gain, and to make payment of these amounts to the Korean tax authority, unless you establish your entitlement to an exemption under an applicable tax treaty or domestic tax law. See **Tax Treaties** below for a discussion on claiming treaty benefits.

Tax Treaties

Korea has entered into a number of income tax treaties with other countries (including the United States), which would reduce or exempt Korean withholding tax on dividends on, and capital gains on transfer of, the common shares or ADSs. For example, under the Korea-United States income tax treaty, reduced rates of Korean

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withholding tax of 16.5% or 11.0% (depending on your shareholding ratio and inclusive of local income surtax) on dividends and an exemption from Korean withholding tax on capital gains are available to residents of the United States that are beneficial owners of the relevant dividend income or capital gains, subject to certain exceptions. However, under Article 17 (Investment or Holding Companies) of the Korea-United States income tax treaty, such reduced rates and exemption do not apply if (i) you are a United States corporation, (ii) by reason of any special measures, the tax imposed on you by the United States with respect to such dividend income or capital gains is substantially less than the tax generally imposed by the United States on corporate profits and (iii) 25% or more of your capital is held of record or is otherwise determined, after consultation between competent authorities of the United States and Korea, to be owned directly or indirectly by one or more persons who are not individual residents of the United States. Also, under Article 16 (Capital Gains) of the Korea-United States income tax treaty, the exemption on capital gains does not apply if (a) you have a permanent establishment in Korea and any shares of common stock in which you hold an interest and which give rise to capital gains are effectively connected to such permanent establishment, (b) you are an individual and you maintain a fixed base in Korea for an aggregate of 183 days or more during a given taxable year and your ADSs or common shares giving rise to capital gains are effectively connected with such fixed base or (c) you are present in Korea for an aggregate of 183 days or more during a given taxable year.

You should inquire for yourself whether you are entitled to the benefit of a tax treaty between Korea and the country where you are a resident. It is the responsibility of the party claiming the benefits of an income tax treaty in respect of dividend payments or capital gains to submit to us, the purchaser or the financial investment company, as applicable, a certificate as to his tax residence. In the absence of sufficient proof, we, the purchaser or the financial investment company, as applicable, must withhold tax at the normal rates. Furthermore, in order for you to claim the benefit of a tax rate deduction or tax exemption on certain Korean source income (such as dividends or capital gains) under an applicable tax treaty, Korean tax law requires you (or your agent) to submit an application (for a reduced withholding tax rate, the application for entitlement to a reduced tax rate, and for an exemption from withholding tax, the application for tax exemption along with a certificate of your tax residency issued by a competent authority of your country of tax residence, subject to certain exceptions) as the beneficial owner of such Korean source income, or a BO application. For example, a U.S. resident would be required to provide a Form 6166 as a certificate of tax residency with the application for entitlement to reduced tax rate or the application for tax exemption. Such application should be submitted to the withholding agent prior to the payment date of the relevant income. Subject to certain exceptions, where the relevant income is paid to an overseas investment vehicle (which is not the beneficial owner of such income), or an OIV, a beneficial owner claiming the benefit of an applicable tax treaty with respect to such income must submit its BO application to such OIV, which must submit an OIV report and a schedule of beneficial owners to the withholding agent prior to the payment date of such income. In the case of a tax exemption application, the withholding agent is required to submit such application (together with the applicable OIV report in the case of income paid to an OIV) to the relevant district tax office by the ninth day of the month following the date of the payment of such income.

Inheritance Tax and Gift Tax

If you die while holding an ADS or donate an ADS, it is unclear whether, for Korean inheritance and gift tax purposes, you will be treated as the owner of the common shares underlying the ADSs. If the tax authority interprets depositary receipts as the underlying share certificates, you may be treated as the owner of the common shares and your heir or the donee (or in certain circumstances, you as the donor) will be subject to Korean inheritance or gift tax presently at the rate of 10% to 50%, provided that the value of the ADSs or common shares is greater than a specified amount.

If you die while holding a common share or donate a common share, your heir or donee (or in certain circumstances, you as the donor) will be subject to Korean inheritance or gift tax at the same rate as indicated above.

At present, Korea has not entered into any tax treaty relating to inheritance or gift taxes.

Table of Contents**Securities Transaction Tax**

If you transfer our common shares on the Korea Exchange, you will be subject to securities transaction tax at the rate of 0.3% (including an agriculture and fishery special surtax) of the sale price of the common shares. If your transfer of the common shares is not made on the Korea Exchange, subject to certain exceptions, you will be subject to securities transaction tax at the rate of 0.5% and will not be subject to an agriculture and fishery special surtax.

Under the Securities Transaction Tax Law of Korea, depositary receipts (such as American depositary receipts evidencing the ADSs) constitute share certificates subject to the securities transaction tax. However, the transfer of depositary receipts listed on the New York Stock Exchange, the Nasdaq Global Market, or other qualified foreign exchanges is exempt from the securities transaction tax.

In principle, the securities transaction tax, if applicable, must be paid by the transferor of the common shares or ADSs. When the transfer is effected through a securities settlement company, such settlement company is generally required to withhold and pay the tax to the tax authorities. When such transfer is made through a financial investment company only, such financial investment company is required to withhold and pay the tax. Where the transfer is effected by a non-resident without a permanent establishment in Korea, other than through a securities settlement company or a financial investment company, the transferee is required to withhold the securities transaction tax.

Non-reporting or under-reporting of securities transaction tax will generally result in penalties equal to 20% to 60% of the non-reported tax amount or 10% to 60% of under-reported tax amount. Also, a failure to timely pay securities transaction tax due will result in penalties of 10.95% per annum of the due but unpaid tax amount. The penalties are imposed on the party responsible for paying the securities transaction tax or, if such tax is required to be withheld, on the party that has the obligation to withhold.

Item 10F. Dividends and Paying Agents**Not Applicable****Item 10G. Statements by Experts****Not Applicable****Item 10H. Documents on Display**

We are subject to the information requirements of the Exchange Act, and, in accordance therewith, are required to file reports, including annual reports on Form 20-F, and other information with the U.S. Securities and Exchange Commission. These materials, including this annual report and the exhibits thereto, may be inspected and copied at the Commission's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the Commission at 1-800-SEC-0330 for further information on the public reference rooms. We are also required to make filings with the Commission by electronic means. Any filings we make electronically will be available to the public over the Internet at the Commission's web site at <http://www.sec.gov>.

Item 10I. Subsidiary Information**Not Applicable****Item 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK****Overview**

Our lending and trading businesses, our deposit taking activities and our operating environment expose us to various risks. Our risk management goal is to understand, measure and monitor these risks and to ensure that our employees strictly adhere to the policies and procedures that we

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establish. We seek to take a conservative approach to risk management in order to better insulate our operations from adverse events. Risks we face include:

credit risk;

market risk (primarily interest rate risk, equity risk, foreign exchange risk and commodity risk);

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liquidity risk; and

operational and business risk (including legal risk).

We operate a standardized risk management system. This system enhances our risk management capabilities by enabling us to exchange information among our and our subsidiaries' risk management operations. In recent years, we have undertaken steps to further strengthen our risk management systems, including (i) using Tier I capital as available capital for purposes of our risk capital allocation beginning in 2012 in anticipation of Basel III requirements, and (ii) including stressed VaR to our market risk capital calculations beginning in 2012 in accordance with the guidance of the Financial Supervisory Service. We use our risk management systems to manage our risks within acceptable limits and to otherwise ensure the soundness of our assets and the stability of our operations.

We allocate our total risk capital in accordance with the guidelines set by our Board Risk Management Committee. As described in more detail below, the committee allocates risk capital with respect to credit risk, market risk, interest rate risk and operational risk with respect to us as well as Woori Card, Woori Investment Bank, Woori Private Equity, Woori Bank China Limited, Woori America Bank and PT Bank Woori Saudara Indonesia 1906, Tbk.

Through our standardized risk management system we allocate our risk capital:

with respect to credit risk on the basis of a standardized approach as well as other portfolio credit models developed by third party vendors;

with respect to our market risk based on a market value at risk, or VaR, system and, beginning in 2012, including stressed VaR; and

with respect to our interest rate risk based on a historical simulation method, which simulates the current portfolio's net present value at a 99.9% confidence level for a one-year holding period.

We allocate our risk capital with respect to operational risk through a standardized approach in accordance with Basel II.

Our risk capital allocation as a percentage of available capital, on a non-consolidated basis, with respect to 2016 is as follows:

	Available capital ⁽¹⁾	Risk capital	Risk appetite	Credit	Market	Interest rate	Operational	Correlation Effect	Buffer
	(in billions of Won, except percentages)								
Woori Bank	16,500	11,482	69.6%	58.8%	7.2%	3.5%	5.8%	5.7%	30.4%
Woori Card	1,222	760	62.2%	53.4%	0.0%	7.9%	6.3%	5.4%	37.8%
Woori Investment Bank	134	122	90.8%	79.6%	6.0%	6.0%	3.7%	4.5%	9.2%
Woori Private Equity	37	22	59.3%	56.6%	0.0%	0.0%	5.4%	2.7%	40.7%
Woori America Bank	191	130	68.2%	52.5%	0.0%	15.2%	6.8%	6.3%	31.8%
PT Bank Woori Saudara Indonesia 1906, Tbk	188	173	92.1%	63.4%	0.0%	30.4%	6.4%	8.1%	7.9%
Woori Bank China Limited	508	408	80.3%	60.0%	12.0%	10.6%	3.0%	5.3%	19.7%

⁽¹⁾ Estimates based on Tier I capital.

Organization

We have a multi-tiered risk management governance structure. Our Board Risk Management Committee is ultimately responsible for our risk management. The Executive Risk Management Committee answers to the Board Risk Management Committee and coordinates the execution of these directives. Each Subsidiary Risk Management Committee, based on the Board Risk Management Committee's directives, determines risk management strategies and implements risk management policies and guidelines for the relevant subsidiary, sets the subsidiary's operational and business risk management policies and guidelines and directs the subsidiary's risk management units with support from the applicable Subsidiary

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Risk Management Council, but must keep within the risk guidelines of the Board Risk Management Committee. The Subsidiary Risk Management Committees generally receive input from their respective Subsidiary Risk Management Councils and subsidiary risk management units.

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The following chart sets out our risk management governance structure as of the date of this annual report:

We operate a double report system with respect to our risk management procedures. Each of our subsidiary risk management units is required to submit risk management reports directly to the Risk Management Department. Through this internal reporting system, we are able to better ascertain and strengthen the monitoring of our subsidiaries' risk management and are able to quickly address any deviation from our risk policies. From March 2010, following a review of our enterprise risk management procedures with outside consultants in 2009, we further supplemented our double report system by strengthening the role and independence of chief risk officers in our subsidiaries (including the appointment of dedicated chief risk officers in all of our subsidiaries) and expanding the role of subsidiary risk management units. Each subsidiary risk management unit is required to report directly to such subsidiary's chief risk officer on all material risk management issues as well as following the procedures under the double report system.

The Board Risk Management Committee, the Executive Risk Management Committee, the Subsidiary Risk Management Committees and the Subsidiary Risk Management Councils are responsible for managing risks relating to credit, markets, asset and liability management, liquidity and operations and business.

Board Risk Management Committee

The Board Risk Management Committee is our highest decision-making body with respect to our risk management operations. It oversees and makes determinations on all significant issues relating to our risk

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management system. It implements policies regarding, monitors and has ultimate responsibility for managing credit, market and liquidity risk and for asset and liability management. The committee's major activities include:

determining and amending risk management policies, guidelines and limits in conformity with the strategy established by the board of directors;

determining the appropriate level of risks that we should be willing to undertake, including in connection with key business activities such as acquisitions, investments or entering into new business areas, prior to a decision by the board of directors on such matters;

allocating risk capital and approving our business units' risk limit requests;

reviewing our risk profile, including the level of risks we are exposed to and the status of our risk management operations; and

monitoring our compliance with our risk policies.

The Board Risk Management Committee is comprised of three outside directors. It operates independently from all business units and individual board members, and reports directly to our board of directors. Since 2013, we require the chairperson of the Board Risk Management Committee to be chosen from among the outside directors in order to enhance the independence and experience level of such chairperson. Our Board Risk Management Committee convenes at least quarterly, and makes decisions by majority vote of the attending members. At least a majority of the committee members must attend to constitute a quorum.

Executive Risk Management Committee

Our Executive Risk Management Committee seeks to maintain our asset quality and stabilize or improve our profitability through the execution of its risk management duties as delegated by the Board Risk Management Committee. The Executive Risk Management Committee's major activities include:

analyzing our risk status using information provided by our Risk Management Department;

reviewing agenda items of the Board Risk Management Committee meetings;

reviewing the risks of annual business plans and allocating risk capital accordingly;

establishing policies to comply with applicable capital adequacy requirements;

determining standards and methods to measure risk and setting total exposure limits and contingency plans, by risk type;

reviewing, adjusting and monitoring funding strategies and plans as well as related decision-making authority;

monitoring interest rates relating to lending and deposit-taking; and

reviewing risks relating to the introduction of new products.

The Executive Risk Management Committee is comprised of up to nine members, including the head of our business support group, who acts as chairman, the head of our risk management unit, the head of our credit support unit and the head of our finance and management planning division. It operates independently from all business units, and reports directly to the Board Risk Management Committee. The Executive Risk Management Committee convenes on a monthly basis.

Our Risk Management Department provides a variety of information to the Executive Risk Management Committee, including:

reports regarding the status of overall risk management, the status of limit compliance, and analysis and results of stress testing and back testing; and

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reports regarding asset and liability management matters, including changes in risk-weighted assets and the status of our credit portfolio on a periodic basis.

Subsidiary Risk Management Committees

Each of our subsidiaries has delegated risk management authority to its Subsidiary Risk Management Committee. Each Subsidiary Risk Management Committee measures and monitors the various risks faced by the relevant subsidiary and reports to that subsidiary's board of directors regarding decisions that it makes on risk management issues. It also makes strategic decisions regarding the operations of the relevant subsidiary, such as allocating credit risk limits, setting total exposure limits and market risk-related limits and determining which market risk derivatives instruments the subsidiary can trade. The major activities of each Subsidiary Risk Management Committee include:

determining and monitoring risk policies, guidelines, limits and tolerance levels and the level of subsidiary risk in accordance with group policy, with the support of the relevant Subsidiary Risk Management Council;

reviewing and analyzing the subsidiary's risk profile;

setting limits for and adjusting the risk-adjusted capital allocation plan and risk levels for each business unit within the subsidiary; and

monitoring compliance with our risk management policies and practices at the business unit and subsidiary level.

Each Subsidiary Risk Management Committee generally includes two or more outside directors of the subsidiary.

Credit Risk Management

Our credit risk management policy objectives are to improve our asset quality, reduce our non-performing loans and minimize our concentration risk through a diversified, balanced and risk-weighted loan portfolio. Through our subsidiaries, we manage credit risk and continually monitor and improve our credit risk-related policies and guidelines to reflect changing risks in our business and the industries and sectors in which our customers operate.

We believe that an essential part of achieving our credit risk management objectives is utilizing a standardized risk management system so that we can identify and manage the risks generated by our businesses using a consistent approach. We and Woori Card are currently using a centralized credit risk management system called the CREPIA system. CREPIA is a credit risk management system which combines credit risk management and the credit approval process on a transactional level with respect to individual borrowers and approval with respect to each individual loan or credit. The system quantifies credit risk with respect to corporate borrowers using a mark-to-market methodology, which reflects both the likelihood of a default by a borrower as well as the likelihood of a change in such borrower's credit rating, and quantifies credit risk with respect to retail borrowers using a default mode methodology, which reflects the likelihood of a default by a borrower. We believe that CREPIA is a systematic and efficient credit evaluation system and that we have expedited our loan review process and improved our ability to monitor and evaluate our overall risk profile by using this system. The main characteristics of CREPIA are as follows:

automation of credit risk management system, which allows us to centralize and automate many tasks relating to our credit risk management system;

automatic recognition and processing of different forms of credit, which allows us to process and approve different types of credit, such as new applicants, renewing applicants and changes in the condition of the loan or credit approved;

incorporation of credit risk management prior to approval of credit, which allows us to consider individualized characteristics of a borrower and enables us to calculate a more accurate price with respect to the loan or credit approved;

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automatic credit risk monitoring after approval of credit, which allows us to evaluate and re-rate the loan or credit on a real-time basis as a result of any change in the characteristics of the borrower (including the condition of the underlying collateral, change in borrowing limit and early warning characteristics); and

automatic verification of internal procedures and regulations with respect to approval of credit, which reduces our operational risk and ensures that there are no material deviations from our loan and credit policies.

We also impose a credit risk limit with respect to large exposures. We aim to avoid concentrations of exposure with respect to any single corporate borrower or affiliated group of corporate borrowers. Accordingly, we have established aggregate exposure limits based on our capital adequacy levels and, with respect to individual corporate borrowers, established limits by dividing the expected loss with respect to companies affiliated with such corporate borrower with the unexpected loss (a measurement of credit risk) of such borrower and converting that into an exposure amount. We use this as the basis for our large exposure limits with respect to such corporate borrower.

We also impose a principal investment limit for investment activities that our subsidiaries undertake as a principal (as opposed to as an agent). The principal investment limit for each subsidiary is set as a certain percentage of the capitalization of such subsidiary.

We use our credit risk management systems to measure and control credit risk, to evaluate and approve new credit and to review and monitor outstanding credit. We conduct various quantitative and qualitative analyses to establish acceptable risk levels that provide what we believe are appropriate levels of return on investments. The credit risk management systems that we use to do this integrate various data, including customers financial and economic condition, limits on loans and guarantee amounts, cash flow evaluations, collateral levels, our desired profit margin and the likelihood of unexpected loan losses.

Each subsidiary monitors its level of risk, determines how that level compares to our target optimized level of risk on a monthly basis and produces risk analysis reports and optimization reports on a monthly basis and stress test reports on an ad hoc basis. These reports are sent to the respective Subsidiary Risk Management Committees and to the Board Risk Management Committee and provide a basis to set risk limits for, and allocate capital to, a subsidiary's business units.

Credit Evaluation and Approval

We and our subsidiaries evaluate the credit of every loan applicant and guarantor before approving any loans, except for:

loans guaranteed by letters of guarantee issued by the Korea Credit Guarantee Fund, the Korea Technology Credit Guarantee Fund or certain other specified Korean government-controlled funds;

loans guaranteed by highly rated banks;

loans fully secured by deposits with us; and

loans against commercial promissory notes issued by creditworthy companies at a discount to the face value of the note determined by the issuer's creditworthiness.

The evaluation and approval process differs depending on whether the loan is a corporate loan, a general household consumer loan, or a mortgage or home equity loan, and there is a separate process for credit card applications. We have in recent years implemented a standardized expected loss and unexpected loss credit risk system which we believe enables us to better allocate risk capital by evaluating unexpected loss (a measurement of credit risk), VaR (a measurement of market risk) and earnings at risk (a measurement of whether our assets and liabilities are mismatched).

We have undertaken a number of initiatives to develop credit evaluation and loan approval procedures that are more systematic and efficient. We prefer to use credit rating systems in our credit evaluation and loan approval process because they:

yield a uniform result regardless of the user;

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can be used effectively by employees who do not have extensive experience in credit evaluation;

can be easily updated to reflect changing market conditions by changing how factors are weighted;

significantly limit the scope of employee discretion in the loan assessment and approval process; and

improve loan processing times while generally resulting in declines in delinquencies among new borrowers.

We operate a CREPIA credit evaluation system for corporate loans (including small- and medium-sized enterprise loans) and a consumer credit evaluation system for consumer loans.

Customers apply for loans by submitting a loan application through one of our branches. These applications are initially reviewed using the appropriate credit evaluation system and, in the case of applications for a small amount or involving applicants with little or no credit risk, are approved by the branch manager or a relationship manager acting in concert with a credit officer based on the credit risk rating they receive under that system. Applications for larger loans and loans which are determined to involve greater credit risk are approved by bodies with greater authority, depending on where those loans fall in a matrix of size, collateral and credit risk. These loan applications will be referred to a credit officer committee at an office located near the customer, which may or may not be at our headquarters. Every credit officer committee is made up of credit officers from headquarters and has the same level of authority. Applications that cannot be approved by a credit officer committee are referred to a senior credit officer committee or our Loan Committee, depending on loan size, collateral and credit risk. The following table sets forth as an example our various committees and personnel involved in our credit evaluation and loan approval process:

Committee	Members	Approval Process
Headquarters Approval Loan Committee	Head of the credit support unit, head of the risk management unit, head of the investment banking unit, head of the capital market unit, head of the large corporate audit department, and head of medium-size enterprise audit department (no more than seven persons)	2/3 required for approval; 2/3 required to participate
Headquarters/Regional Approval Senior Credit Officer Committee	One head senior credit officer and four to six other senior credit officers (five to seven persons)	2/3 required for approval; 2/3 required to participate
Credit Officer Committee	At least one senior credit officer and two other credit officers (at least three persons)	2/3 required for approval; 2/3 required to participate
Individual Approval		
Senior Relationship Manager	Individual	Approval of the individual
Relationship Manager	Individual	Approval of the individual
Branch Manager	Individual	Approval of the individual
Different individuals or committees review and approve loan applications depending on various factors, including:		

the size and type of the loan;

the level of credit risk established by the credit rating system;

whether the loan is secured by collateral; and

if the loan is secured, an assessment of the collateral.

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Loan applications are generally reviewed only by the highest-level committee required to approve the loan, although multiple reviews, including separate reviews at the branch, regional and headquarters level, may occur depending on the size and terms of any particular loan or a borrower's credit risk.

Corporate Loan Approval Process

Our branches review corporate loan applications using a credit evaluation system for corporate borrowers. Each corporate credit evaluation system measures various quantitative and qualitative factors. The model used by the credit evaluation system to review an application depends, however, on certain characteristics of the potential borrower. Our credit risk management department, together with our large corporate loan department and small- and medium-sized enterprise loan department, has developed separate credit evaluation models for large corporate borrowers that are subject to external audit under the External Audit Act of Korea, large corporate borrowers that are not subject to external audit, medium-sized enterprises and SOHO borrowers that either have outstanding loans, or are applying for a loan, in excess of 1 billion. In general, each model uses scores from both a computerized evaluation of quantitative financial factors, such as cash flow and income, and more qualitative factors which are scored using judgments by the credit officer or officers reviewing the application to produce an overall credit risk rating. These credit evaluation systems provide us with tools to make consistent credit decisions and assist us in making risk-based pricing decisions. Our CREPIA system, depending on whether the borrower is audited by independent auditors and its size, produces two separate scores based on one of 14 rating models: one for quantitative current financial factors, which is weighted 60% in determining the CREPIA credit risk rating, and another for the more qualitative factors that the judgment of our credit officers plays a more significant part in determining, which is weighted 40%. The CREPIA credit risk rating estimates the probability that we will recover extended credits and the likelihood that borrowers will default. Qualitative factors included in CREPIA include:

a customer's future financial condition;

its competitive position in the industry;

its industry situation;

the quality of its management;

its technological merits;

its operations;

the nature and the location of any collateral; and

our level of priority in that collateral to estimate non-recovery risks.

These qualitative factors are input into the CREPIA system by the credit officer, and are scored based on his or her historical experience and that of the bank.

The CREPIA system produces separate credit risk ratings for each borrower and for each loan requested by that borrower. Our credit analysis and approval center evaluates and approves corporate loan applications based on these credit risk ratings. The CREPIA system assigns each borrower and facility one of the following fourteen credit risk rating grades from AAA to D, which are classified as follows: AAA (extremely strong), AA (very strong), A+ (strong), A (good), BBB+ (more adequate), BBB (adequate), BBB- (less adequate), BB+ (less susceptible), BB (susceptible), BB- (more susceptible), B+ (slightly weak), B (weak), C (very weak) and D (default). Certain loans are subject to review by the Loan Committee depending on the size of the loan and the determined credit risk rating. Examples of this include loan applications for secured

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loans in excess of \$80 billion for a borrower or facility with a credit risk rating of A- and above, and, at the other extreme for unsecured loans, loan applications in excess of \$4 billion for a borrower or facility with a credit risk rating of BB- to C. Applications from borrowers with loans on a subsidiary's watch list (see "Credit Review and Monitoring" below) are also automatically reviewed by its Loan Committee.

We use the same systems to evaluate and approve applications from small- and medium-sized enterprises that it uses to evaluate other corporate borrowers, but uses different credit evaluation models. Our credit

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evaluation models for small- and medium-sized enterprise customers, which are incorporated into the CREPIA system, use the same quantitative and qualitative factors that we use to evaluate other corporate customers. However, the small- and medium-sized enterprise models apply a 50% weighting to the score derived from quantitative factors and a 50% weighting to the score derived from the more flexible qualitative factors in determining the credit risk rating. We also use a separate credit evaluation model to evaluate newly opening small- and medium-sized enterprises that relies solely on qualitative factors. In addition, we have adopted a separate credit evaluation system for SOHOs (such as pharmacies, clinics and restaurants) which either have outstanding loans, or are applying for a loan, of 1 billion or less that uses simpler credit evaluation models and resembles our application scoring system for new retail customers.

With respect to the evaluation of any collateral to which a commercial loan application relates (which principally consists of land, buildings and equipment), the fair value of such underlying collateral for commercial loans is appraised by external valuation experts and such appraisals are collated in our CREPIA system. We use our CREPIA system to manage our lending activities, and input data gathered from loan application forms, credit scores of borrowers and the appraisal value of collateral provided by external valuation experts into the CREPIA system and update such information periodically to reflect changes in such information (such as any changes in credit scores of borrowers or the appraisal value of collateral). In addition, to validate the appropriateness of the appraisal values provided by such external valuation experts, we review the qualification of the external valuation experts (including a review of whether such experts are legitimately registered with the Korea Association of Property Appraisers) and evaluate the assumptions and valuation model used by such experts as well as the appropriateness of variables by reference to market data and comparisons to actual transaction prices in similar regions.

We have set credit limits for our corporate customers. Some of these limits, particularly those imposed by Korean banking regulations, are aimed at preventing loan concentrations relating to any single customer. See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Banks Financial Exposure to Any Individual Customer or Major Shareholder. In certain cases, we have introduced and implemented internally developed large exposure limits that are stricter than the applicable Financial Services Commission requirements.

In evaluating applications, credit officers or the Loan Committee will often, in addition to reviewing ratings from these credit evaluation models, also refer to corporate information gathered or ratings assigned by external credit rating agencies, such as the Korea Federation of Banks, Korea Information Service, Korean government-released information on bankruptcy rates, National Information & Credit Evaluation Inc. and Korea Management Consulting & Credit Rating Corporation. They review the information we obtain from these sources and compare it to the information we have developed internally with respect to our customers to improve the accuracy of our internal credit ratings.

Consumer Loan Approval Process

Our consumer loan department evaluates and approves consumer loan applications using a dedicated consumer credit evaluation system. Our consumer credit evaluation system assigns a credit score to each application based on its evaluation of various factors. These factors include any loan and guarantee limits we have set for particular borrowers or groups of borrowers and our evaluation of their cash flows and credit profiles. The system gives each customer's loan application a score from one to ten. We also use another scoring system based on the external ratings provided by the Korea Credit Bureau. Applications are classified as automatically approved, automatically rejected and subject to further evaluation based on a combination of the scores of these two systems. We use these systems to evaluate all new consumer loan applications, except for loans fully secured by deposits with us.

We augment our consumer credit evaluation system with a behavioral scoring system. The behavioral scoring system enhances the consumer credit evaluation system by enabling the consideration of factors not previously evaluated, including the customer's spending history and credit behavior. By the nature of the information it analyzes, however, the behavioral scoring system can only be used for applications of persons who are existing borrowers, generally consisting of roll-overs of outstanding amounts or increases to existing credit limits.

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We also evaluate any collateral to which a consumer loan application relates (which principally consists of residential properties) using the fair value of the underlying collateral appraised by Korea Investors Service as part of our loan approval process. Such appraisals are collated in our CREPIA system, and such information is updated periodically to reflect changes (such as any changes in credit scores of borrowers or the appraisal value of collateral). For example, we automatically obtain re-evaluations for the underlying collateral for secured consumer loans and mortgages every month with respect to apartments. If the value of the collateral declines, we may have the ability to require that the borrower provide more collateral or to change the payment terms of the relevant loan.

Credit Card Approval Process

We have worked to ensure that our risk management and credit extension policies are consistently reflected with respect to our credit card operations.

Woori Card reviews each new card application for completeness, accuracy and creditworthiness. It bases this review on various factors that assess the applicant's ability to repay borrowed amounts. The review process involves three stages:

Initial Application Process. Woori Card verifies basic information by requesting certain documents from the applicant, generally contacts the applicant directly (usually by telephone, although there are personal visits to some applicants) and statistically analyzes the applicant's personal credit history together with financial and default information gathered from third-party sources and its internal database. The analysis considers various factors including employment, default status and historical relationships with us and any delinquency history with other credit card companies. Woori Card also reviews information about an applicant obtained from external databases maintained by the Korea Federation of Banks and Nice Information Service Inc.

Application Scoring System Process. The application scoring system at Woori Card is a standardized evaluation tool used to determine the probability of a credit card applicant defaulting during the one-year period following issuance. The application scoring system, using a statistical model, assigns risks to factors that indicate a probability of non-payment. The model analyzes credit history, occupation and income data to develop a combined risk score. The applicant's eligibility to receive a credit card and credit limit is determined by its anticipated delinquency ratio over 90 days within one year.

Credit Assessment. If the application is approved, then the application scoring system assessment is used to determine the applicant's credit limit. The aggregate credit limit for a new applicant who is an individual rarely exceeds 20 million. There is a separate but similar system for determining the credit limit available to corporate card applicants, which will generally be higher than limits available to individual applicants but will not provide for the ability to obtain cash advances.

The entire approval process generally takes two to three days and the applicant receives the new card within one week after making an application. Woori Card evaluates and updates the application scoring system on a monthly basis (or more frequently as required) to incorporate new data or adjust the importance placed on existing data or market conditions.

Credit Review and Monitoring

Our credit review and monitoring procedures are designed to reduce the risks of deterioration in our asset quality and to maintain acceptable levels of portfolio risk. These procedures include:

confirming a borrower's credit rating or score;

ensuring the accuracy of the credit analysis done by our credit officers; and

ensuring compliance with internal policies relating to loan approval.

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We believe that these procedures enable us to identify potential non-performing loans as soon as possible and minimize the possibility of approving in advance loans that will become non-performing. These procedures also enable us to manage credit risk more effectively and set interest rates to more accurately reach our targeted level of return.

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Loan Review and Monitoring

We monitor credit risk with respect to its borrowers using our loan review system. We have a loan review department that oversees our review and monitoring efforts. After a loan has been approved, the relevant materials or the results generated by our credit evaluation system, together with any supporting data, are reviewed by an officer in that department. There are three types of reviews that our loan review unit undertakes:

Desk review. Desk reviews are the most common and are generally done within five days after a loan has been approved. Although the process is similar, different loans are automatically reviewed based on the size of the loan. The loan review department will initiate a desk review of loans approved by a credit officer committee or the Loan Committee, for any corporate loan over 5 billion, any consumer loan over 1 billion, any loan to a housing applicant group over 5 billion or any loan where the loan terms were adjusted. For loans originating from a branch, the loan review department will randomly initiate a desk review for new domestic loans. For overseas loans, desk reviews are conducted for new loans (including credit limit increases) over US\$300,000. Ex post desk reviews are also conducted on consumer and corporate loans approved by a domestic branch manager for borrowers with aggregate unsecured loans over 50 million or aggregate secured loans over 300 million, and new consumer and corporate loans (including credit limit increases) over US\$30,000 approved by overseas branch managers.

Periodic review. Periodic reviews are done on a quarterly, semi-annual or annual basis with respect to loans that are current and over 10 billion or with respect to borrowers who are on a watch list with respect to possible insolvency. Quarterly periodic reviews are done for certain corporate borrowers, depending on their size and the borrower's industry.

Ad hoc review. Ad hoc reviews can be done at any time. The head of our Risk Management Department or our chief executive officer or chief financial officer can initiate ad hoc reviews. Loan review officers who are responsible for desk and periodic reviews also conduct ad hoc reviews.

Following a review, our sales office may hold additional meetings with the borrower and adjust the loan amount or the borrower's credit rating. The loan review department may also direct sales office personnel to institute early collections or to adjust a borrower's credit rating, total exposure and asset portfolio without consulting the borrower. The loan review officer may request that the credit officer adjust a borrower's credit ratings based on various factors, including asset quality, credit limits, applied interest rates and our credit policies. We also continually review other factors, such as industries in which borrowers operate and their domestic and overseas assets and operations, to ensure that our ratings are appropriate.

We monitor and manage our exposures to and credit limits for corporations and *chaebols* on a daily basis. We use our Total Exposure Management System to make real-time inquiries regarding our exposures, either by company or by *chaebol*, and to manage the credit limits for all kinds of business transactions. We monitor and analyze these exposures on a monthly basis. Corporate borrowers on our watch list are monitored more closely and with respect to additional aspects of their relationships with us. We place borrowers on our watch list when we believe that any impediment on a borrower's ability to meet its financial obligations exists or is pending. We may also monitor newly extended credits or any additional credits extended to a previous borrower more frequently if we believe additional monitoring is necessary after reviewing the loan approval process. Credits outstanding to a particular industry or region that we believe are higher risk are monitored even more frequently. Based on the results of such monitoring, our loan review department provides monthly reports to our chief executive officer and our Board Risk Management Committee.

We have the ability to conduct daily surveillance on the status of our retail borrowers through an on-line system established by the Korea Federation of Banks. This system, which tracks consumer loans at all major Korean banks and non-banking institutions, permits us to track all loan defaults by any borrower. We evaluate the need to monitor consumer loans by using our consumer credit evaluation system, including its behavioral scoring system, and make adjustments to the credit scoring formula based on the results of that process.

Our loan review department in our risk management unit is required to submit monthly loan review reports and quarterly deficiency reports to the chief executive officer and the head of the risk management unit. The

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chief executive officer then provides feedback to the relevant sales offices of our branches through our auditing team or relevant business unit. Based on these reports, we may, for example, stop lending to particular borrowers, change credit limits or modify our loan approval procedures. We do not monitor loans to certain borrowers, such as loans to government entities.

Credit Card Review and Monitoring

Woori Card monitors its risk exposure to individual accounts on a regular basis. It monitors each customer's card usage trends and negative credit data such as delinquency information through both its own credit risk management system (which was developed with the assistance of an outside consultant) and BC Card's similar system (which BC Card maintains for its member banks). These systems monitor the behavior of users of Woori Card's credit cards, using both internally generated information and information from external sources. Woori Card statistically analyzes this information to estimate each customer's creditworthiness on a monthly basis. The credit risk management system is an integral part of the credit practices at Woori Card and is used to determine increases or decreases in credit limits, reset interest rates, set fee levels, authorize special transactions and approve card loans using criteria such as:

how much credit each customer has incurred in the past (i.e., frequency and amount of payments);

whether a customer uses his card to make credit card purchases or to get cash advances;

internal credit scores; and

whether the customer has been delinquent in making payments.

After assigning appropriate weightings to each factor, the system computes a behavior score and uses that score to classify each cardholder. Each customer's credit limit is subject to adjustment in accordance with the monthly updated score. Woori Card uses these results and the results of its application scoring system to evaluate its credit risk management system and make adjustments to its credit scoring formula based on the results of that process.

Woori Card's credit risk management system has also been able to run various simulations in connection with monitoring its operations, including:

new product simulations, which predict a customer's likely spending pattern when using a new credit card product and analyzes that pattern to predict the new product's costs, delinquencies and profitability; and

credit use limit simulations, which test whether a customer's credit limit has been properly set by simulating an increase or decrease of that limit.

Woori Card's credit administration team manages customer credit risk for users of its credit cards. It reviews and updates its underwriting, credit evaluation, collection, servicing and write-off procedures, and the terms and conditions of card agreements, from time to time in accordance with its business practices, applicable law and guidelines issued by regulatory authorities.

Early Warning Systems

We and Woori Card have developed separate early warning systems that monitor the status of both commercial and retail borrowers and evaluate all of a customer's outstanding credits. These systems monitor various factors, including the financial status, financial transaction status, industry rating and management status of borrowers. They enable us to find defaults and signs of potential delinquency in advance, monitor these problematic credits properly before any default or delayed payment occurs and keep track of information on the credit status of borrowers. Updated information is input as it becomes available, either automatically from internal and external sources or manually. This information includes data relating to:

credit evaluation and monitoring system results, which determine if a borrower should be put on a watch list;

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loan transactions, such as a borrower's remaining line of credit and whether it has any dishonored notes, overdue loans or setoffs with respect to collateral deposits which have not matured;

deposit transactions, such as any decrease in a borrower's average deposit balance, requests for large volumes of promissory notes or checks, or the inability to pay immediately available funds owed when due;

foreign exchange transactions, such as unpaid amounts of a borrower's purchased export bills that have exceeded the maturity date; and

other information, such as a borrower's management and employees, business operations, production operations, financial affairs and accounting operations and bank transactions.

We also monitor borrowers' credits through on-line credit reports that are provided by Korea Information Service and National Information & Credit Evaluation, Inc., which are Korean credit reporting agencies.

After gathering this information, our CREPIA system reviews such information to monitor any changes that could affect the credit rating of the borrower, approval conditions with respect to the loan or credit, underlying collateral or assigned credit limit of the borrower. Depending on the likelihood of the change, the system automatically sends a signal to the responsible credit officer. The officer then evaluates the information and formulates an action plan, which could result in an adjustment in the borrower's credit rating or loan pricing, a re-evaluation of the loan or the taking of other preventative measures.

Credit Remediation

We believe that by centralizing the management of our non-performing credits, we can implement uniform policies for non-performing credit resolution, pool institutional knowledge and create a more specialized (and therefore more efficient) work force. Our Credit Management and Collection Department and our Corporate Restoration Department generally oversee the process for resolving non-performing loans transferred to them by our other business units. When a loan becomes non-performing, the Credit Management and Collection Department and the Corporate Restoration Department will begin a due diligence review of the borrower's assets, send a notice demanding payment or stating that the unit will take legal action, and prepare for legal action. At the same time, we initiate our non-performing loan management process. Once we have confirmed the details of a non-performing loan, we make efforts to recover amounts owed to us. Methods for resolving non-performing loans include commencing collection proceedings or legal actions and writing off such loans, transferring them to subsidiaries in charge of collection and authorizing those subsidiaries to recover what they can. We have also disposed of a number of non-performing credits to KAMCO, UAMCO and various structured companies. See Item 4B. Business Overview Assets and Liabilities Asset Quality of Loans Non-Performing Loan Strategy.

Market Risk Management

The principal market risks to which we are exposed are interest rate risk, foreign exchange risk and, to a lesser extent, equity risk and commodity risk. We divide market risk into risks arising from trading activities and risks relating to management of our assets and liabilities. The financial instruments that expose us to market risks are primarily trading and available-for-sale securities and financial derivatives and, with respect to commodity risk, commodity derivatives.

Our Board Risk Management Committee establishes risk capital allocation and risk limits for our trading activities. The Board Risk Management Committee has delegated the responsibility for coordinating market risk management for trading activities to the Executive Risk Management Committee. The Risk Management Department reviews on a daily basis reports that include trading profits and losses, position reports, stress test results and value at risk results for our trading activities. Any violations of such risk limits are reported to the Executive Risk Management Committee and the Board Risk Management Committee.

Table of Contents**Market Risk Management for Trading Activities**

We measure market risk from trading activities to monitor and control the risk of our business groups and teams that perform those activities. Our trading activities consist of:

trading activities for our own account to realize short-term trading profits in debt (primarily Won-denominated), equity and foreign exchange markets based on our forecasts of changes in market situation and customer demand; and

trading activities involving derivatives transactions, including interest rate and foreign exchange swaps, forwards, futures and options and, to a lesser extent, commodity derivatives, primarily to sell derivatives products to our customers and to hedge our own market risk.

Market risk arising from our trading activities can be subdivided into interest rate risk, foreign exchange risk, equity risk and commodity risk:

Interest rate risk is a significant risk to which our trading activities are exposed. This risk arises primarily from our debt securities. We set different risk limits for our interest rate risk for our trading and non-trading debt portfolios.

Foreign exchange risk arises from foreign currency-denominated assets and liabilities in both our trading and non-trading accounts and financial derivatives involving foreign currencies, which are not controlled separately on a trading and asset/liability management basis.

Equity risk arises from price and volatility fluctuations in equity securities and derivatives.

Commodity risk arises from price and volatility fluctuations in commodity derivatives.

The Board Risk Management Committee monitors our market risk. The Board Risk Management Committee has established a maximum market risk appetite, which is defined as risk capital divided by available capital. Risk capital is a benchmark figure that determines the VaR limits, accumulated loss limits (for trading portfolios) and present value of a basis point (or PVBP) limits (for non-trading available-for-sale assets). Available capital generally consists of shareholder's equity. Using this benchmark, as of December 31, 2015, we have established market risk limits as shown in the following table:

VaR Limit	Trading Portfolio		Non-Trading Portfolio PVBP Limit
	Quarter	Accumulated Loss Limit (in billions of Won)	
15	47.4	Annual 94.7	3.59

We generally manage our market risk at the portfolio level. To control our exposure, we take into consideration the VaR limits, accumulated loss limits and PVBP limits set by the Board Risk Management Committee in determining our internal allocation of risk among our various portfolios. We also set stop loss limits with respect to particular types of transactions. We use an integrated market risk management system to manage market risks for our debt and equity trading operations. This system enables us to generate consistent VaR numbers for all of our trading activities.

In addition, we have implemented internal processes which include a number of key controls designed to ensure that fair value is measured appropriately, particularly where a fair value model is internally developed and used to price a significant product. See Item 5A. Operating Results Critical Accounting Policies Valuation of Financial Assets and Liabilities and Notes 2-(9)-5), 3-(3) and 11 of the notes to our consolidated financial statements. For example, our Risk Management Department reviews the existing pricing and valuation models on a regular basis, with a focus on their underlying modeling assumptions and restrictions, to assess the appropriateness of their continued use. In consultation with our

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Trading Department, the Risk Management Department recommends potential valuation models to our Fair Value Evaluation Committee. Upon approval by our Fair Value Evaluation Committee, the selected valuation models are reported to the Board Risk Management Committee.

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Value at Risk analysis. We use daily VaR to measure market risk. Our daily VaR is a statistically estimated maximum amount of loss that can occur for a day. We use a 99% confidence level to measure our daily VaR, which means the actual amount of loss may exceed the VaR, on average, once out of 100 business days. We use the historical simulation method which takes into account the diversification effects among different risk factors.

Although VaR is a commonly used market risk management technique, it has some inadequacies. Since it is a statistical approach, VaR estimates possible losses over a certain period at a particular confidence level using past market movement data. Past market movements, however, are not necessarily a good indicator of future events. Another problem with VaR is that the time periods used for the model, generally one or ten days, are assumed to be a sufficient holding period before liquidating the relevant underlying positions. If these holding periods are not sufficient, or too long, VaR may understate or overstate the potential loss. VaR is most appropriate as a risk measure for trading positions in liquid financial markets and will understate the risk associated with severe events, such as a period of extreme liquidity.

The following table shows our daily VaR as of December 31, 2013, 2014 and 2015 at a 99% confidence level for a one-day holding period, for interest rate risk, equity risk, foreign exchange risk and commodity risk relating to our trading activities.

	Interest Rate Risk	Foreign Exchange Risk	Equity Risk	Commodity Risk	Less: Diversification	VaR for Overall Trading Activities
	(in millions of Won)					
As of December 31, 2013 ⁽¹⁾	2,707	1,414	431	46	2,564	2,034
As of December 31, 2014	1,403	2,834	977	174	2,277	3,111
As of December 31, 2015	2,907	3,997	3,186	117	5,017	5,190

⁽¹⁾ The amounts as of December 31, 2013 are amounts for Woori Bank, not Woori Finance Holdings.

In 2013, 2014 and 2015, the average, high, low and ending amounts of daily VaR relating to our trading activities (at a 99% confidence level for a one-day holding period) were as follows:

	As of December 31, 2013 ⁽¹⁾	For the year ended December 31, 2013 ⁽¹⁾			As of December 31, 2014	For the year ended December 31, 2014			As of December 31, 2015	For the year ended December 31, 2015		
		Average	Maximum	Minimum		Average	Maximum	Minimum		Average	Maximum	Minimum
	(in millions of Won)											
Interest risk	2,707	3,472	5,937	2,391	1,403	1,982	14,948	1,029	2,907	2,742	3,990	1,210
Foreign exchange risk	1,414	1,549	2,775	1,033	2,834	2,940	4,501	1,998	3,997	3,415	4,846	2,329
Equity risk	431	1,049	2,434	420	977	1,199	1,835	494	3,186	2,411	4,377	531
Commodity risk	46	30	169	3	174	76	244	2	102	102	218	5
Total risk	2,034	2,693	5,230	1,927	3,111	3,640	14,516	2,415	4,812	4,812	6,523	3,665

⁽¹⁾ The amounts as of December 31, 2013 and for the year 2013 are amounts for Woori Bank, not Woori Finance Holdings.

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The graph of daily 99% VaR relating to our trading activities in 2015 is as follows:

Stress test. In addition to VaR, we perform stress testing to measure market risk. As VaR assumes normal market situations, we assess our market risk exposure to abnormal market fluctuations through stress testing. Stress testing is an important way of supporting VaR since VaR is a statistical expression of possible loss under a given confidence level and holding period. It does not cover potential loss if the market moves in a manner that is outside our normal expectations. Stress testing projects the anticipated change in value of holding positions under certain scenarios assuming that we take no action during a stress event to change the risk profile of a portfolio. The following table shows the loss that would have occurred in our trading portfolio as of December 31, 2015 for assumed short-term extreme changes of a +/-20% change in the equity market and a +/-60 basis point change from interest rates prevailing in the market on that date, under an abnormal stress environment.

(in billions of Won, except percentages)						
Equity Market Chart						
Market fluctuation amount	(20)%	(10)%	(5)%	5%	10%	20%
	(16.4)	(6.6)	(1.8)	(0.2)	(0.8)	(0.4)
(in billions of Won, except basis points)						
Interest Rate Chart	(60) basis					
Basis point fluctuation amount		(40) basis	(20) basis	20 basis	40 basis	60 basis
	points	points	points	points	points	points
	0.5	0.4	0.2	(0.2)	(0.4)	(0.5)

Stop loss limits. The Board Risk Management Committee also approves total accumulated loss limits, and the heads of our relevant trading departments set their own stop loss limits with respect to particular types of transactions. We have stop loss limits for various trading activities, including:

for trading equity securities in Won, within 25% of the purchase price of such securities;

for trading fixed income securities in Won, within 5% of the purchase price of such securities;

for available-for-sale equity securities in Won, within 30% of the purchase price of such securities;

for available-for-sale fixed income securities in Won, within 10% of the purchase price of such securities;

for trading equity or fixed income securities in foreign currencies, within 5% of the purchase price of such securities; and

for available-for-sale equity or fixed income securities in foreign currencies, within 15% of the purchase price of such securities.

Table of Contents*Interest Rate Risk*

Interest rate risk from trading activities arises mainly from our trading of Won-denominated debt securities. Our trading strategy is to benefit from short-term movements in the prices of debt securities arising from changes in interest rates. As our trading accounts are marked-to-market daily, we manage our interest rate risk related to our trading accounts using market value-based tools such as VaR. See Asset and Liability Management Interest Rate Risk.

Foreign Exchange Risk

Foreign exchange risk arises because we have assets, liabilities and off-balance sheet items such as foreign exchange forwards and currency swaps that are denominated in non-Won currencies. The difference between our foreign currency assets and liabilities is offset against forward foreign exchange positions to obtain our net foreign currency open position. We determine the maximum foreign exchange exposure for both trading and asset and liability management purposes by establishing a limit for this net foreign currency open position. Our Board Risk Management Committee also establishes VaR limits for our foreign exchange business.

Assets and liabilities denominated in U.S. dollars account for the majority of our foreign currency assets and liabilities. Those denominated in Japanese yen and the euro account for most of the remainder, the majority of which have been swapped into U.S. dollars.

We monitor changes in, and matches of, foreign-currency assets and liabilities in order to reduce exposure to currency fluctuations. We also manage risks relating to exchange rate fluctuations through foreign exchange dealing, including by our overseas branches. However, we conduct foreign exchange dealings primarily on behalf of our customers. Counterparties are restricted to domestic and foreign financial institutions and banks with respect to which we have established a foreign exchange dealing limit. We deal primarily in the Won/U.S. dollar market and such dealings are subject to what we believe are conservative daily maximum and closing limits and stop loss limits. The following table sets forth information concerning our limits on proprietary foreign exchange dealings as of December 31, 2015:

	Won/U.S. Dollar Dealing		Dealings in other currencies			
	Headquarters		Headquarters		Overseas Branches	
	Total	Individual	Total	Individual	Total	Individual
	(in millions of US\$)					
Open position						
Daily maximum limit	US\$ 1,000	US\$ 200	US\$ 200	US\$ 50	US\$ 60	US\$ 15
Daily closing limit	200	50	100	20	30	6
Stop loss:						
Daily	2	0.5	0.8	0.15	0.24	0.045
Monthly	3	0.8	2	0.5	0.6	0.15

The following table shows our non-consolidated net open positions at the end of 2013, 2014 and 2015. Positive amounts represent long exposures and negative amounts represent short exposures.

	2013	As of December 31, 2014	2015
	(in millions of US\$)		
Currency			
U.S. dollar	US\$ (57.8)	US\$ (62.0)	US\$ (14.1)
Japanese yen	(7.1)	(2.5)	(72.2)
Euro	(14.0)	(3.6)	(7.9)
Others	5.3	29.2	(37.1)
Total	US\$ (73.6)	US\$ (38.9)	US\$ (131.3)

Equity Risk

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Equity price risk and equity volatility risk result from our equity portfolio, which consists mainly of futures contracts and options and Won-denominated equity securities, as a result of the strict limits we have imposed

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with respect to VaR and accumulated loss limits, and stress test limits. Equity risk arises in the context of trading activities for our own accounts to realize short-term trading profits with respect to equity and trading activities involving certain derivatives transactions.

Commodity Risk

Commodity risk represents exposures to instruments traded in the metals, petroleum, natural gas and other commodities markets, and arises principally from our trading of U.S. dollar-denominated commodity derivatives. We manage our commodity risk using VaR, accumulated loss and stress test limits.

Derivatives-Related Market Risk

The Foreign Exchange Transaction Regulations of Korea provide that a foreign exchange bank (such as us) may generally enter into derivatives transactions without restriction so long as those transactions are not linked with credit risks of a party to the transaction or any third party. If they are, we must report the transaction to the Bank of Korea.

Most of the derivatives products that we trade are on behalf of our customers or to hedge our own positions. Our derivatives activities include interest rate and cross-currency swaps, foreign exchange forwards, stock index and interest rate futures, forward rate agreements and currency and over-the-counter equity options.

Asset and Liability Management

Our principal market risk with respect to managing our assets and liabilities is interest rate risk. Interest rate risk arises due to mismatches in the maturities or re-pricing periods of rate-sensitive assets and liabilities, such as loans and deposits. Any imbalance of the maturity of our interest rate-sensitive assets and liabilities and the gap resulting from that imbalance may cause net interest income to be affected by changes in the prevailing level of interest rates. Our principal asset and liability management objectives are to generate stable net interest revenues and protect our asset value against interest rate fluctuations.

We use a standardized asset and liability management system for our Won- and foreign currency-denominated assets and liabilities. In addition, our system also allows us to manage the assets and liabilities in our trust accounts. Prior to 2009, this system used roll-over modeling to mitigate the difficulty of predicting maturity with respect to customers' purchases and cash advances and to calculate actual cash flow of customers based on pre-payment, extension of payments, delinquencies, bankruptcies and recoveries. As a part of a system-wide upgrade in 2009, we changed our methodology to determine interest rate VaR from the Hull-White model using Monte-Carlo simulation to the historical scenario method. In 2011, in anticipation of Basel III requirements, we further upgraded our standard asset and liability management system by developing modules to calculate and monitor our liquidity coverage ratio and net stable funding ratio.

Interest Rate Risk

We manage interest rate risk based on rational interest rate forecasts, using gap analysis to measure the difference between interest-sensitive assets and interest-sensitive liabilities, using simulations to calculate the effect of changing interest rates on income. We principally manage this risk by managing maturity and duration gaps between our interest-earning assets and interest-bearing liabilities.

We measure interest rate risk for Won and foreign currency assets and liabilities, including derivatives and principal guaranteed trust accounts. Most of our interest-earning assets and interest-bearing liabilities are denominated in Won and our foreign currency-denominated assets and liabilities are mostly denominated in U.S. dollars. We believe, however, that our interest rate sensitivity is limited with respect to our Won-denominated assets. Deposits in Won generally bear fixed rates of interest for fixed time periods (other than deposits payable on demand which constituted approximately 41.5% of our total deposits in Won as of December 31, 2015). We generally adjust the interest rates on these deposits when they are rolled over. In addition, as of December 31, 2015, 96.8% of those deposits had current maturities of one year or less. As of December 31, 2015, approximately 65.3% of our Won-denominated loans bore floating rates of interest, and 54.9% of those loans had current maturities of one year or less.

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Interest rate gap analysis measures expected changes in net interest revenues by calculating the difference in the amounts of interest-earning assets and interest-bearing liabilities at each maturity and interest resetting date. We perform interest rate gap analysis for Won and foreign currency-denominated assets on a monthly basis.

Interest Rate Gap Analysis. For interest rate gap analysis we use or assume the following maturities for different assets and liabilities:

With respect to maturities of assets, for prime rate-linked loans, we apply the actual maturities of each loan; furthermore, we assume the reserves with the Bank of Korea and loans and securities classified as substandard or below to have maximum remaining maturities.

With respect to maturities of liabilities, for demand deposits with no fixed maturities, a portion of the demand deposits are recognized to have maturities of less than three months as calculated in accordance with Financial Services Commission guidelines. Our Board Risk Management Committee's interest rate risk limit generally requires that our earnings at risk be within 10% of our estimated net interest income for a one-year period. We calculate VaR through our standardized asset and liability management system, which uses the historical scenario method to simulate the current portfolio's net asset value for a one-year holding period at a 99.9% confidence level.

The following tables show, on a non-consolidated basis pursuant to the guidelines of the Financial Supervisory Service, the interest rate gap for our Won-denominated accounts and foreign currency-denominated accounts as of December 31, 2015:

	As of December 31, 2015					Total
	0-3 Months	3-6 Months	6-12 Months	1-3 Years	Over 3 Years	
(in billions of Won, except percentages)						
Won-denominated accounts:						
Interest rate-sensitive assets						
Free interest rate	10,973	7,387	10,893	13,246	23,751	66,249
Market interest rate	97,679	33,384	10,063	10,512	6,774	158,412
Interest rate pegged to customer deposit	62	46	74	13	1	196
Total	108,714	40,817	21,030	23,771	30,526	224,857
Interest rate-sensitive liabilities						
Free interest rate	20,937	6,305	7,162	12,228	10,655	57,287
Market interest rate	56,369	19,491	37,295	9	34,875	148,039
Total	77,306	25,796	44,457	12,237	45,530	205,326
Sensitivity gap	31,407	15,021	(23,427)	11,534	(15,004)	19,532
Cumulative gap	31,407	46,429	23,002	34,536	19,532	19,532
% of total assets⁽¹⁾	12.87	19.03	9.43	14.15	8.00	8.00
Total assets in Won						244,002

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	As of December 31, 2015					
	0-3 Months	3-6 Months	6-12 Months	1-3 Years	Over 3 Years	Total
(in millions of US\$, except percentages)						
Foreign currency-denominated accounts:						
Interest rate-sensitive assets						
Free interest rate	US\$	US\$	US\$	US\$	US\$	US\$
Market interest rate	15,646	1,436	318	396	197	17,993
Interest rate pegged to customer deposit						
Total	US\$ 15,646	US\$ 1,436	US\$ 318	US\$ 396	US\$ 197	US\$ 17,993
Interest rate-sensitive liabilities						
Free interest rate	US\$	US\$	US\$	US\$	US\$	US\$
Market interest rate	10,743	509	682	1,732	2,562	16,228
Total	US\$ 10,743	US\$ 509	US\$ 682	US\$ 1,732	US\$ 2,562	US\$ 16,228
Sensitivity gap	4,903	927	(364)	(1,336)	(2,365)	1,765
Cumulative gap	4,903	5,830	5,466	4,130	1,765	1,765
% of total assets⁽¹⁾	17.64%	20.98%	19.67%	14.86%	6.35%	6.35%
Total assets in US\$						US\$ 27,794

(1) Represents the cumulative gap as a percentage of total assets.

Duration Gap Analysis. We also perform a duration gap analysis to measure and manage our interest rate risk. Duration gap analysis is a more long-term risk indicator than interest rate gap analysis, as interest rate gap analysis focuses only on accounting income and not on the market value of the assets and liabilities. We emphasize duration gap analysis because, in the long run, our principal concern with respect to interest rate fluctuations is the net asset value rather than net interest revenue changes.

For duration gap analysis, we use or assume the same maturities for different assets and liabilities that we use or assume for our interest rate gap analysis.

The following table shows, with respect to our Won-denominated assets and liabilities, duration gaps and net asset value changes when the interest rate increases by one percentage point as of the specified dates:

Date	Interest-bearing asset duration	Interest-bearing liability duration	Total asset/liability duration gap	Net asset value change (in billions of Won)
	(in years)	(in years)	(in years)	
June 30, 2013	0.83	0.65	0.24	501
December 31, 2013	0.82	0.69	0.18	385
June 30, 2014	0.80	0.72	0.14	310
December 31, 2014	0.86	0.77	0.16	355
June 30, 2015	0.92	0.75	0.23	529
December 31, 2015	0.91	0.77	0.21	505

We set interest rate risk limits using the historical simulation method, which uses actual historical price, volatility and yield changes in comparison with the current position to generate hypothetical portfolios and calculate a distribution of position and portfolio market value changes. The following table shows our interest rate VaR with respect to our Won-denominated assets and liabilities for each of the quarters since the fourth quarter of 2014:

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	Fourth Quarter 2014	First Quarter 2015	Second Quarter 2015	Third Quarter 2015	Fourth Quarter 2015
	(in billions of Won, except percentages)				
Interest rate VaR	224.9	281.5	361.4	311.9	362.8

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Gap analysis reports, duration gap analysis reports and interest rate limit compliance reports prepared by our risk management units are reviewed by our Executive Risk Management Committee on a monthly basis and submitted to the Board Risk Management Committee on a quarterly basis.

Foreign Exchange Risk

We manage foreign exchange rate risk arising in connection with the management of our assets and liabilities together with such risks arising from our trading operations. See *Market Risk Management for Trading Activities Foreign Exchange Risk* above.

Liquidity Risk Management

Liquidity risk is the risk of insolvency or loss due to disparity between inflow and outflow of funds such as maturity mismatch, including having to obtain funds at a high price or to dispose of securities at an unfavorable price due to lack of available funds. We manage our liquidity in order to meet our financial liabilities from withdrawals of deposits, redemption of matured debentures and repayments at maturity of borrowed funds. We also require sufficient liquidity to fund loans and extend other forms of credits, as well as to make investments in securities. Our Board Risk Management Committee establishes liquidity policies and monitors liquidity on an on-going basis. We make constant adjustment to take into account variables affecting our liquidity levels. Our risk management units review the uses and sources of funds on a daily basis, taking into consideration the various goals of our respective business units. Our liquidity management goal is to be able, even under adverse conditions, to meet all our liability repayments on time and fund all investment opportunities.

We maintain diverse sources of liquidity to facilitate flexibility in meeting our funding requirements. We fund our operations principally by accepting deposits from retail and corporate depositors, accessing the call loan market (a short-term market for loans with maturities of less than one month), issuing debentures and borrowing from the Bank of Korea. We use the majority of funds raised by us to extend loans or purchase securities. Generally, deposits are of shorter average maturity than loans or investments.

In managing liquidity risk, we determine gap limits, implement those limits and monitor maturity gaps using our asset and liability management system. We also establish gap limits for liquidity management purposes. Our three-month accumulated gap limits for banking and trust accounts are between (10)% and 10%. In the foreign currency account, the limit for a one-week gap has been set as (3)% or higher and as (10)% or higher for a one-month gap.

Liquidity is maintained by holding sufficient quantities of assets that can be liquidated to meet actual or potential demands for funds from depositors and others. Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds we believe we can raise by issuing securities when required. We seek to minimize our liquidity costs by managing our liquidity position on a daily basis and by limiting the amount of cash at any time that is not invested in interest-earning assets or securities.

The Financial Services Commission uses the liquidity coverage ratio, defined as the ratio of highly liquid assets to total net cash outflows over a one-month period, as the principal liquidity risk management measure and currently requires each Korean bank to:

maintain a liquidity coverage ratio of not less than 85% from January 1, 2016 to December 31, 2016, subject to certain exceptions, with such minimum liquidity coverage ratio to increase in increments of 5% per year to 100% by 2019;

maintain a foreign currency liquidity ratio (defined as the ratio of foreign currency assets due within three months to foreign currency liabilities due within three months) of not less than 85%;

maintain a ratio of foreign currency assets due within seven days less foreign currency liabilities due within seven days, divided by total foreign currency assets, of not less than negative 3%;

maintain a ratio of foreign currency assets due within a month less foreign currency liabilities due within a month, divided by total foreign currency assets, of not less than negative 10%; and

submit monthly reports with respect to the maintenance of these ratios.

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As of December 31, 2015, our one-month liquidity coverage ratio was 106.7%, above the Financial Services Commission's standard of 85%.

The following table shows the liquidity status, on a cumulative basis, and limits for our foreign currency accounts on a non-consolidated basis as of December 31, 2015 in accordance with the Financial Services Commission's regulations:

	7 days or less	8 days	1 month	3 months or less
	(in millions of US\$)			
Foreign currency accounts:				
Foreign currency assets	US\$ 12,425	US\$ 9,389		US\$ 34,594
Foreign currency liabilities	9,766	8,719		28,659
Maturity gap	2,659	670		2,606
Cumulative gap (A)	2,659	3,329		5,935
Total assets (B)	71,972	71,972		71,972
Liquidity gap ratio (A/B)	3.69%	4.63%		120.7% ⁽¹⁾
Limits	(3)%	(10)%		85%

⁽¹⁾ Liquidity ratio, calculated as foreign currency assets as a percentage of foreign currency liabilities.

Our Executive Risk Management Committee receives reports regarding our liquidity ratios and liquidity gap ratios on a monthly basis. Based on those reports, our Risk Management Department reports these results to the Board Risk Management Committee on a quarterly basis.

Operational Risk Management

Operational risk is difficult to quantify and subject to different definitions. We define our operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

To monitor and control operational risks, we maintain a system of comprehensive policies and have put in place a control framework designed to provide a stable and well-managed operational environment throughout our organization. Several bodies are responsible for managing our operational risk, including our compliance department, the Risk Management Committee and the risk management unit. In order to manage operational risk, we have implemented a multi-step operational risk management process consisting of engaging in risk self assessment, establishing key risk indicators, operating an early warning system, managing loss data, measuring operational risk capital, monitoring and reporting risks, promoting a strong risk management culture and developing action plans. We have also established policies to change operational risk profiling, select permitted levels of risk, develop action plans and manage results.

We consider legal risk as a part of our operational risk. The uncertainty of the enforceability of the obligations of our customers and counterparties, including foreclosure on collateral, creates legal risk. Legal risk is higher in new areas of business where the law is often untested in the courts although such risk can also increase in our traditional business to the extent that the legal and regulatory landscape in Korea is changing and many new laws and regulations governing the banking industry remain untested. Our legal department seeks to minimize legal risk by using stringent legal documentation, employing procedures designed to ensure that transactions are properly authorized and consulting legal advisers. Our internal auditors also review loan documentation to ensure that these are correctly drawn up to withstand scrutiny in court should such scrutiny occur.

In connection with our disaster recovery capabilities, we are in the process of meeting the guidelines suggested by the Financial Services Commission. These generally require that our disaster and recovery capabilities enable us to recover data and resume operations within three hours.

The majority of our information technology systems are operated by our subsidiary, Woori FIS. We currently have a mirror site in operation which backs up transaction information on a real-time basis. We also

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have a back-up site in operation, which backs up transaction information on a daily basis. See Item 3D. Risk Factors Other risks relating to our business We may experience disruptions, delays and other difficulties from our information technology systems.

Item 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**Fees and Charges**

Under the terms of the deposit agreement, as a holder of our ADSs, you are required to pay the following service fees to the depository:

Services	Fees
Issuance of ADSs	Up to \$0.05 per ADS issued
Surrender of ADSs	Up to \$0.05 per ADS surrendered
Distribution of cash dividends or other cash distributions	Up to \$0.05 per ADS held
Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of the rights to purchase additional ADSs	Up to \$0.05 per ADS held
Distribution of securities other than ADSs or rights to purchase additional ADSs	Up to \$0.05 per ADS held
Depository Services	Up to \$0.05 per ADS held on the applicable record date established by the depository

As a holder of our ADSs, you are also responsible for paying certain fees and expenses incurred by the depository and certain taxes and governmental charges such as:

Fees for the transfer and registration of shares charged by the registrar and transfer agent for the shares in Korea (*i.e.*, upon deposit and withdrawal of shares).

Expenses incurred for converting foreign currency into U.S. dollars.

Fees and expenses incurred in connection with compliance with exchange control regulations and other applicable regulatory requirements.

Expenses for cable, telex and fax transmissions and for delivery of securities.

Taxes and duties upon the transfer of securities (*i.e.*, when shares are deposited or withdrawn from deposit).

Fees and expenses incurred in connection with the delivery or servicing of shares on deposit.

Depository fees payable upon the issuance and cancellation of ADSs are typically paid to the depository by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depository and by the brokers (on behalf of their clients) delivering the ADSs to the depository for cancellation. The brokers in turn charge these fees to their clients. Depository fees payable in connection with distributions of cash or securities to ADS holders and the depository services fee are charged by the depository to the holders of record of ADSs as of the applicable ADS record date.

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The depositary fees payable for cash distributions are generally deducted from the cash being distributed. In the case of distributions other than cash (i.e., stock dividend, rights), the depositary charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via the Depository Trust Company, or DTC), the depositary generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding

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ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depository.

In the event of refusal to pay the depository fees, the depository may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depository fees from any distribution to be made to such holder of ADSs.

Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depository. You will receive prior notice of such changes.

Fees and Payments from the Depository to Us

In 2015, pursuant to an agreement with us, the depository waived, or made payments to third parties of, approximately \$24,800 (net of applicable taxes) in the aggregate in connection with proxy process expenses (including printing, postage and distribution expenses), contributions towards investor relations efforts (including investor relations agency fees) and other standard out-of-pocket maintenance costs relating to our ADS facility that were payable by us.

In addition, as part of its service to us, the depository waives its fees for the standard costs and operating expenses associated with the administration of the ADS facility.

Item 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not Applicable

Item 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not Applicable

Item 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We have evaluated, with the participation of our chief executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2015. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our chief executive officer and principal financial officer concluded that our disclosure controls and procedures as of December 31, 2015 were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our chief executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements in accordance with IFRS as issued by the IASB. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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Our management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management's authorization, assets are safeguarded, and financial records are reliable. Our management also takes steps to ensure that information and communication flows are effective and to monitor performance, including performance of internal control procedures.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015 based on the criteria established in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission in May 2013.

Based on this assessment, management believes that, as of December 31, 2015, our internal control over financial reporting is effective.

The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by Deloitte Anjin LLC, an independent registered public accounting firm, as stated in its report included herein which expressed an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2015.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16. RESERVED**Item 16A. Audit Committee Financial Expert**

Our board of directors has determined that each of He-Suk Chun, Sung-Soo Koh and Sung-Yong Kim, our non-executive directors and members of our Audit Committee, qualifies as an audit committee financial expert and is independent within the meaning of this Item 16A.

Item 16B. Code of Ethics

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Exchange Act. Our code of ethics applies to our chief executive officer, principal financial officer and persons performing similar functions as well as to our outside directors and other officers and employees. Our code of ethics is available on our website at <http://www.wooribank.com>. If we amend the provisions of our code of ethics that apply to our chief executive officer and principal financial officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address.

Item 16C. Principal Accountant Fees and Services

The following table sets forth the fees billed to us or Woori Finance Holdings, as applicable, by our independent registered public accountants, Deloitte Anjin LLC, the member firms of Deloitte Touche Tohmatsu Limited, and their respective affiliates (which we refer to collectively as Deloitte), during the fiscal years ended December 31, 2013, 2014 and 2015:

	Year ended December 31,		
	2013	2014	2015
	(in millions of Won)		
Audit fees	6,218	3,576	3,272
Audit-related fees	290	221	202
Tax fees	343	220	163
All other fees	27	342	

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Total fees	6,878	4,359	3,637
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Audit fees in the above table are the aggregate fees billed or expected to be billed by Deloitte in connection with the audit of our annual financial statements, the review of our interim financial statements, the review of filings with the U.S. Securities and Exchange Commission and audit of the effectiveness of our internal control over financial reporting.

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Audit-related fees in the above table are the aggregate fees billed or expected to be billed by Deloitte for agreed upon procedures related to the issuance of comfort letters in connection with the issuance of debt securities.

Tax fees in the above table are fees billed or expected to be billed by Deloitte for assistance in the preparation of certain tax returns and other tax advice.

Audit Committee Pre-Approval Policies and Procedures

Our Audit Committee pre-approves all audit services to be provided by Deloitte Anjin LLC, our independent auditors. Our Audit Committee's policy regarding the pre-approval of non-audit services to be provided to us by our independent auditors is that all such services shall be pre-approved by our Audit Committee. Non-audit services that are prohibited to be provided to us by our independent auditors under the rules of the SEC and applicable law may not be pre-approved. In addition, prior to the granting of any pre-approval, our Audit Committee must be satisfied that the performance of the services in question will not compromise the independence of our independent auditors. Our Audit Committee also pre-approves the selection or replacement of the independent auditors of our subsidiaries.

Our Audit Committee did not pre-approve any non-audit services under the *de minimis* exception of Rule 2-01(c)(7)(i)(C) of Regulation S-X as promulgated by the U.S. Securities and Exchange Commission.

Item 16D. Exemptions from the Listing Standards for Audit Committees
Not Applicable

Item 16E. Purchase of Equity Securities by the Issuer and Affiliated Purchasers
 Neither we nor any affiliated purchaser, as defined in Rule 10b-18(a)(3) of the Exchange Act, purchased any of our equity securities during the period covered by this annual report.

Item 16F. Change in Registrant's Certifying Accountant
Not Applicable

Item 16G. Corporate Governance
Differences in Corporate Governance Practices

Pursuant to the rules of the New York Stock Exchange applicable to foreign private issuers like us that are listed on the New York Stock Exchange, we are required to disclose significant differences between the New York Stock Exchange's corporate governance standards and those that we follow under Korean law. The following is a summary of such significant differences.

NYSE Corporate Governance Standards

Director Independence

Listed companies must have a majority of independent directors.

Executive Session

Non-management directors must meet in regularly scheduled executive sessions without management. Independent directors should meet alone

Woori Bank

The majority of our board of directors is independent (as defined in accordance with the New York Stock Exchange's standards), as six of our 11 directors are outside directors.

Our outside directors hold quarterly meetings, which coincide with the quarterly Audit Committee meetings, to discuss matters relating

in an executive session at least once a year.

to management issues. The Audit Committee consists of three outside directors and one standing director.

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Nomination/Corporate Governance Committee

A nomination/corporate governance committee of independent directors is required. The committee must have a charter that addresses the purpose, responsibilities (including development of corporate governance guidelines) and annual performance evaluation of the committee.

We have established a separate Board of Directors Management Committee, which consists of one standing director, one non-standing director and six outside directors.

Compensation Committee

A compensation committee of independent directors is required. The committee must have a charter that addresses the purpose, responsibilities and annual performance evaluation of the committee. The charter must be made available on the company's website. In addition, in accordance with the SEC rules adopted pursuant to Section 952 of the Dodd-Frank Act, NYSE listing standards were amended to expand the factors relevant in determining whether a committee member has a relationship to the company that will materially affect that member's duties to the compensation committee.

We maintain a Compensation Committee consisting of five outside directors.

Additionally, the committee may obtain or retain the advice of a compensation adviser only after taking into consideration all factors relevant to determining that adviser's independence from management.

Audit Committee

Listed companies must have an audit committee that satisfies the independence and other requirements of Rule 10A-3 under the Exchange Act. All members must be independent. The committee must have a charter addressing the committee's purpose, an annual performance evaluation of the committee, and the duties and responsibilities of the committee. The charter must be made available on the company's website.

We maintain an Audit Committee comprised of three outside directors and one standing director, all of whom are independent. Accordingly, we are in compliance with Rule 10A-3 under the Exchange Act.

Audit Committee Additional Requirements

Listed companies must have an audit committee that is composed of at least three directors.

Our Audit Committee has four members, as described above.

Shareholder Approval of Equity Compensation Plan

Listed companies must allow its shareholders to exercise their voting rights with respect to any material revision to the company's equity compensation plan.

We currently have one equity compensation plan, providing for the grant of stock options to officers and directors.

All material matters related to the granting of stock options are provided in our articles of incorporation, and any amendments to the articles of incorporation are subject to shareholders' approval.

Corporate Governance Guidelines

Listed companies must adopt and disclose corporate governance guidelines.

We have adopted corporate governance standards, the Korean-language version of which is available on our website.

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Code of Business Conduct and Ethics

Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.

We have adopted a Code of Ethics and Business Conduct for Employees, the Korean-language version of which is available on our website.

Item 16H. *Mine Safety Disclosure*
Not Applicable

Item 17. FINANCIAL STATEMENTS
Not Applicable

Item 18. FINANCIAL STATEMENTS
 Reference is made to Item 19(a) for a list of all financial statements filed as part of this annual report.

Item 19. EXHIBITS
 (a) List of financial statements:

	Page
Audited consolidated financial statements of Woori Bank and subsidiaries prepared in accordance with IFRS as issued by the IASB	
<u>Report of Independent Registered Public Accounting Firm</u>	F-1
<u>Consolidated Statements of Financial Position as of December 31, 2014 and 2015</u>	F-3
<u>Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2013, 2014 and 2015</u>	F-4
<u>Consolidated Statements of Changes in Equity for the Years Ended December 31, 2013, 2014 and 2015</u>	F-5
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, 2014 and 2015</u>	F-7
<u>Notes to Consolidated Financial Statements</u>	F-9

(b) Exhibits

Pursuant to the rules and regulations of the U.S. Securities and Exchange Commission, Woori Finance Holdings has filed certain agreements as exhibits to this Annual Report on Form 20-F. These agreements may contain representations and warranties made by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may be intended not as statements of fact, but rather as a way of allocating the risk to one of the parties to such agreements if those statements turn out to be inaccurate, (ii) may have been qualified by disclosures that were made to such other party or parties and that either have been reflected in the company's filings or are not required to be disclosed in those filings, (iii) may apply materiality standards different from what may be viewed as material to investors and (iv) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments. Accordingly, these representations and warranties may not describe Woori Finance Holdings' actual state of affairs at the date of this annual report.

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Number	Description
1.1	Articles of Incorporation of Woori Bank (translation in English).
2.1*	Form of Stock Certificate of Woori Bank's common stock, par value \$5,000 per share (translation in English).
2.2**	Form of Deposit Agreement among Woori Bank, Citibank, N.A., as depository, and all holders and beneficial owners of American depository shares evidenced by American depository receipts, including the form of American depository receipt.
4.1***	Memorandum of understanding between the KDIC and Hanvit Bank (since renamed Woori Bank) dated December 30, 2000, as amended.
8.1****	List of subsidiaries of Woori Bank.
11.1*	Code of Ethics (translation in English).
12.1	Section 302 certifications.
13.1	Section 906 certifications.

* Incorporated by reference to exhibit 2.1 to the Annual Report on Form 20-F (File No. 001-31811), filed on April 30, 2015.

** Incorporated by reference to exhibit (a) to the Registration Statement on Form F-6 (File No. 333-199370), filed on October 15, 2014.

*** Incorporated by reference to the exhibits to the Registration Statement on Form 20-F (File No. 001-31811), filed on September 25, 2003.

**** Incorporated by reference to Note 1 of the notes to the consolidated financial statements of the registrant included in this Annual Report.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Woori Bank

(Registrant)

/s/ Kwang-Goo Lee
(Signature)

Kwang-Goo Lee
President and Chief Executive Officer
(Name/Title)

Date: April 29, 2016

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Woori Bank:

We have audited the internal control over financial reporting of Woori Bank and subsidiaries (the Group) as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Group's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2015 of the Group and our report dated April 26, 2016 expressed an unqualified opinion on those consolidated financial statements and the translation of financial statement amounts into United States dollars for the convenience of readers in the United States of America.

/s/ DELOITTE ANJIN LLC

Seoul, Korea

April 26, 2016

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Woori Bank:

We have audited the accompanying consolidated statements of the financial position of Woori Bank and subsidiaries (the Group) as of December 31, 2014 and 2015 and the related consolidated statements of comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2015 (all expressed in Korean Won). These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Woori Bank and subsidiaries as of December 31, 2014 and 2015 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Our audits also comprehended the translation of Korean Won amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group's internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 26, 2016, expressed an unqualified opinion on the Group's internal control over financial reporting.

/s/ DELOITTE ANJIN LLC

Seoul, Korea

April 26, 2016

Table of Contents**WOORI BANK AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AS OF DECEMBER 31, 2014 AND 2015**

	Korean Won December 31, 2014 (in millions)	Korean Won December 31, 2015	U.S. Dollars December 31, 2015 (in thousands) (Note 2)
ASSETS			
Cash and cash equivalents (Note 6)	5,962,861	6,644,055	5,682,079
Financial assets at fair value through profit or loss (Notes 4,7,11,12,18 and 26)	4,554,180	5,132,657	4,389,513
Available-for-sale financial assets (Notes 4,8,11,12 and 18)	18,810,845	17,170,592	14,684,505
Held-to-maturity financial assets (Notes 4,9,11,12 and 18)	13,044,448	13,621,640	11,649,397
Loans and receivables (Notes 4,10,11,12,18 and 45)	223,370,135	244,842,062	209,391,997
Investments in joint ventures and associates (Note 13)	648,436	643,861	550,638
Investment properties (Note 14)	357,550	351,496	300,604
Premises and equipment (Notes 15 and 18)	2,501,102	2,471,206	2,113,406
Intangible assets and goodwill (Note 16)	295,728	419,806	359,023
Assets held for sale (Note 17)	8,013	17,904	15,312
Current tax assets (Note 42)	4,845	6,782	5,800
Deferred tax assets (Note 42)	257,858	210,597	180,105
Derivative assets (Notes 11,12 and 26)	196,061	183,128	156,613
Other assets (Notes 19 and 45)	145,157	143,286	122,540
Total assets	270,157,219	291,859,072	249,601,532
LIABILITIES			
Financial liabilities at fair value through profit or loss (Notes 4,11,12,20 and 26)	2,675,354	3,460,561	2,959,515
Deposits due to customers (Notes 4,11,21 and 45)	188,516,465	209,141,826	178,860,708
Borrowings (Notes 4,11,12 and 22)	17,707,595	20,033,917	17,133,257
Debentures (Notes 4,11 and 22)	24,795,904	21,898,859	18,728,178
Provisions (Notes 23, 44 and 45)	692,009	516,601	441,804
Net defined benefit liability (Note 24)	75,591	99,691	85,257
Current tax liabilities (Note 42)	298,762	108,943	93,169
Deferred tax liabilities (Note 42)	21,757	19,379	16,573
Other financial liabilities (Notes 4,11,12, 25 and 45)	16,889,687	16,964,206	14,508,001
Other liabilities (Notes 25 and 45)	390,670	305,174	260,989
Total liabilities	252,063,794	272,549,157	233,087,451
EQUITY			
Owners' equity:	17,983,501	19,188,472	16,410,221
Capital stock (Note 28)	3,381,392	3,381,392	2,891,809
Hybrid securities (Note 29)	2,538,823	3,334,002	2,851,280
Capital surplus (Note 28)	291,066	294,259	251,654
Other equity (Note 30)	(2,393,138)	(1,547,303)	(1,323,273)
Retained earnings (Notes 31 and 32)	14,165,358	13,726,122	11,738,751
Non-controlling interests	109,924	121,443	103,860
Total equity	18,093,425	19,309,915	16,514,081

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Total liabilities and equity	270,157,219	291,859,072	249,601,532
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See notes to consolidated financial statements.

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Table of Contents**WOORI BANK AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015**

	2013 (in millions, except for per share data)	Korean Won 2014	2015	U.S. Dollars 2015 (in thousands, except per share data) (Note 2)
Interest income	9,493,383	9,211,240	8,698,235	7,438,840
Interest expense	(5,001,361)	(4,718,222)	(3,936,335)	(3,366,403)
Net interest income (Notes 34 and 45)	4,492,022	4,493,018	4,761,900	4,072,437
Fees and commissions income	1,565,224	1,598,015	1,757,340	1,502,899
Fees and commissions expense	(638,723)	(681,000)	(780,544)	(667,531)
Net fees and commissions income (Notes 35 and 45)	926,501	917,015	976,796	835,368
Dividend income (Note 36)	87,641	96,812	102,923	88,021
Net gain on financial instruments at fair value through profit or loss (Note 37)	123,900	189,912	240,342	205,543
Net loss on available-for-sale financial assets (Note 38)	(85,242)	(68,924)	(3,281)	(2,806)
Impairment losses due to credit loss (Notes 39 and 45)	(2,277,260)	(1,096,940)	(966,646)	(826,688)
General and administrative expenses (Notes 40 and 45)	(2,902,172)	(2,958,919)	(3,150,387)	(2,694,250)
Net other operating expenses (Notes 40 and 45)	(125,823)	(674,266)	(610,061)	(521,732)
Operating income	239,567	897,708	1,351,586	1,155,893
Share of losses of joint ventures and associates (Note 13)	(1,277)	(67,980)	(70,124)	(59,971)
Other net non-operating income (Note 41)	49,377	4,667	170,484	145,800
Non-operating income (loss)	48,100	(63,313)	100,360	85,829
Net income before income tax expense	287,667	834,395	1,451,946	1,241,722
Income tax expense (Note 42)	(35,096)	(288,195)	(376,554)	(322,033)
Net income from continuing operations	252,571	546,200	1,075,392	919,689
Net income (loss) from discontinued operations (Notes 46 and 47)	(966,006)	661,769		
Net income (loss)	(713,435)	1,207,969	1,075,392	919,689
Remeasurement of the net defined benefit liability	9,217	(51,650)	(78,267)	(66,935)
Items that will not be reclassified to profit or loss	9,217	(51,650)	(78,267)	(66,935)
Gain (loss) on available-for-sale financial assets	(50,953)	(75,586)	72,297	61,829
Share of other comprehensive income (loss) of joint ventures and associates	(6,375)	(1,604)	3,295	2,818
Gain (loss) on foreign currency translation of foreign operations	(59,824)	48,393	33,837	28,938
Loss on valuation of cash flow hedge	(2,412)	(27,150)		
Items that may be reclassified to profit or loss	(119,564)	(55,947)	109,429	93,585
Other comprehensive income (loss), net of tax	(110,347)	(107,597)	31,162	26,650
Total comprehensive income (loss)	(823,782)	1,100,372	1,106,554	946,339

Net income attributable to:

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Net income (loss) attributable to owners	(537,688)	1,213,980	1,059,157	905,804
Income from continuing operations	162,011	435,289	1,059,157	905,804
Income (loss) from discontinued operations	(699,699)	778,691		
Net Income (loss) attributable to non-controlling interests	(175,747)	(6,011)	16,235	13,885
Income from continuing operations	90,560	110,911	16,235	13,885
Loss from discontinued operations	(266,307)	(116,922)		
Total comprehensive income attributable to:				
Comprehensive income (loss) attributable to owners	(623,695)	1,192,191	1,094,870	936,347
Comprehensive income (loss) attributable to non-controlling interests	(200,087)	(91,819)	11,684	9,992
Basic and diluted earnings (losses) from continuing and discontinued operations per share (Note 43)	(704)	1,621	1,301	1,113
Basic and diluted earnings from continuing operations per share (Note 43)	165	536	1,301	1,113

See notes to consolidated financial statements.

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Table of Contents**WOORI BANK AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY****FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015**

	Capital stock	Hybrid securities	Capital surplus	Other equity	Retained earnings	Equity directly associated with disposal group held for sale	Equity directly associated with distribution to owners	Owners equity	Non- controlling interests	Total equity
	(Korean Won in millions)									
January 1, 2013	4,030,077	498,407	174,044	112,013	13,881,378			18,695,919	4,337,157	23,033,076
Net loss					(537,688)			(537,688)	(175,747)	(713,435)
Dividends					(201,503)			(201,503)	(21,319)	(222,822)
Changes in equities of consolidated subsidiaries			(259)					(259)	(280)	(539)
Changes in investments in consolidated subsidiaries			2,717					2,717	81,370	84,087
Loss on valuation of available-for-sale financial assets				(33,782)				(33,782)	(17,171)	(50,953)
Changes in equity of joint ventures and associates				(6,375)				(6,375)		(6,375)
Foreign currency translation of foreign operations				(51,999)				(51,999)	(7,825)	(59,824)
Cash flow hedge				(765)				(765)	(1,647)	(2,412)
Remeasurement of the net defined benefit liability				6,915				6,915	2,302	9,217
Changes in other equity				3,852				3,852	1,612	5,464
Amortization of subsidiaries stock discount				98	(98)					
Reclassification to disposal group held for sale or distribution to owners				(65,324)		29,820	35,504			
Dividends to hybrid securities					(29,399)			(29,399)	(154,869)	(184,268)
Issuance of hybrid securities									985,553	985,553
December 31, 2013	4,030,077	498,407	176,502	(35,367)	13,112,690	29,820	35,504	17,847,633	5,029,136	22,876,769
January 1, 2014	4,030,077	498,407	176,502	(35,367)	13,112,690	29,820	35,504	17,847,633	5,029,136	22,876,769
Net income (loss)					1,213,980			1,213,980	(6,011)	1,207,969

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Dividends							(8,042)	(8,042)
Changes due to the Spin-off	(648,685)	(68,106)	(2,185,665)	(110,405)		(3,012,861)	(286,564)	(3,299,425)
Merger between Woori Bank and Woori Finance Holdings	1,880,798	178,058	(178,060)			1,880,796	(1,880,798)	(2)
Merger between Indonesia Woori Bank and Saudara Bank		21,724				21,724	49,134	70,858
Changes in capital surplus of consolidated subsidiaries		(23)				(23)	572	549
Issuance of capital stocks in consolidated subsidiaries		(17,110)				(17,110)	17,391	281
Acquisition of treasury stock			(37,580)			(37,580)		(37,580)
Disposal of consolidated subsidiaries							(1,900,347)	(1,900,347)
Gain (loss) on valuation of available-for-sale financial assets			96,883	(28,923)	(46,365)	21,595	(97,181)	(75,586)
Changes in equity of joint ventures and associates			(1,911)	(3,662)	2,599	(2,974)	1,370	(1,604)
Foreign currency translation of foreign operations			10,072	18,783		28,855	19,537	48,392
Cash flow hedge			(2,012)	(15,426)	(861)	(18,299)	(8,851)	(27,150)
Remeasurement of the net defined benefit liability			(59,498)	(764)	(592)	9,123	(51,731)	(683)
Issuance of hybrid securities	159,618					159,618		159,618
Dividends to hybrid securities				(50,129)		(50,129)	(116,721)	(166,850)
Redemption of hybrid securities				(1)		(1)	(702,994)	(702,995)
Changes in other equity		21		(13)		8	976	984
December 31, 2014	3,381,392	2,538,823	291,066	(2,393,138)	14,165,358	17,983,501	109,924	18,093,425

(Continued)

Table of Contents**WOORI BANK AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)****FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015**

	Capital stock	Hybrid securities	Capital surplus	Other equity (Korean Won in millions)	Retained earnings	Owners equity	Non- controlling interests	Total equity
January 1, 2015	3,381,392	2,538,823	291,066	(2,393,138)	14,165,358	17,983,501	109,924	18,093,425
Net income					1,059,157	1,059,157	16,235	1,075,392
Dividends					(504,952)	(504,952)	(824)	(505,776)
Change in ownership interest of investments in consolidated subsidiaries and others			3,193			3,193	660	3,853
Gain (loss) on valuation of available-for-sale financial assets				73,691		73,691	(1,394)	72,297
Share of other comprehensive income of joint ventures and associates				3,295		3,295		3,295
Gain (loss) on foreign currencies translation of foreign operations				36,932		36,932	(3,095)	33,837
Remeasurement of the net defined benefit liability				(78,204)		(78,204)	(63)	(78,267)
Dividends to hybrid securities					(183,320)	(183,320)		(183,320)
Issuance of hybrid securities		795,179				795,179		795,179
Retirement of treasury stock				3,481	(3,481)			
Appropriation of merger losses				806,640	(806,640)			
December 31, 2015	3,381,392	3,334,002	294,259	(1,547,303)	13,726,122	19,188,472	121,443	19,309,915

	Capital stock	Hybrid securities	Capital surplus	Other equity (U.S. Dollars in thousands)	Retained earnings	Owners equity	Non- controlling interests	Total equity
January 1, 2015	2,891,809	2,171,233	248,923	(2,046,642)	12,114,392	15,379,715	94,009	15,473,724
Net income					905,804	905,804	13,885	919,689
Dividends					(431,841)	(431,841)	(705)	(432,546)
Change in ownership interest of investments in consolidated subsidiaries and others			2,731			2,731	564	3,295
Gain (loss) on valuation of available-for-sale financial assets				63,021		63,021	(1,192)	61,829
Share of other comprehensive income of joint ventures and associates				2,818		2,818		2,818
Gain (loss) on foreign currencies translation of				31,585		31,585	(2,647)	28,938

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foreign operations								
Remeasurement of the net defined benefit liability				(66,881)		(66,881)	(54)	(66,935)
Dividends to hybrid securities					(156,778)	(156,778)		(156,778)
Issuance of hybrid securities	680,047					680,047		680,047
Retirement of treasury stock				2,977	(2,977)			
Appropriation of merger losses				689,849	(689,849)			
December 31, 2015	2,891,809	2,851,280	251,654	(1,323,273)	11,738,751	16,410,221	103,860	16,514,081

See notes to consolidated financial statements.

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Table of Contents**WOORI BANK AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015**

	2013	Korean Won 2014 (in millions)	2015	U.S. Dollars 2015 (in thousands) (Note 2)
Cash flows from operating activities:				
Net income (loss)	(713,435)	1,207,969	1,075,392	919,689
Adjustments:				
Income tax expense (benefit)	622,656	(145,981)	376,554	322,034
Interest income	(12,837,884)	(10,285,933)	(8,698,235)	(7,438,839)
Interest expense	6,622,744	5,207,289	3,936,335	3,366,403
Dividend income	(151,494)	(135,127)	(102,923)	(88,021)
Impairment losses due to credit loss	2,706,389	1,202,152	966,646	826,688
Loss on available-for-sale financial assets	95,729	93,639	3,281	2,805
Share of losses of investments in joint ventures and associates	43,488	123,038	111,487	95,345
Loss on foreign exchange translation	55,228	82,077		
Loss on transaction of derivatives / valuation of derivatives	121,713	22,253	20,982	17,944
Loss on fair value hedged items	13,505	87,476	56,532	48,347
Provisions	85,732	81,073	72,062	61,628
Retirement benefits	167,910	132,768	132,131	113,000
Depreciation and amortization	300,453	247,216	240,764	205,904
Loss on disposal of investments in joint ventures and associates	4,946	1,788	10	9
Loss on disposal of premises and equipment and other assets	5,158	2,788	2,707	2,314
Impairment loss on premises and equipment and other assets	60,692	2,320	2,990	2,556
Impairment loss on assets held for sale		2,420		
Impairment loss on disposal group held for sale and disposal group held for distribution to owners	833,766	7,728		
Loss on disposal of disposal group held for sale		46,782		
Gain on valuation of financial instruments at fair value through profit or loss	(43,058)	(34,830)	(55,773)	(47,698)
Share of profits of investments in joint ventures and associates	(64,005)	(55,674)	(41,363)	(35,374)
Gain on foreign exchange translation	(50,135)	(39,485)		
Gain on transaction of derivatives / valuation of derivatives	(18,801)	(85,975)	(59,003)	(50,460)
Gain on fair value hedged items	(128,361)	(23,317)	(25,235)	(21,582)
Reversal of provisions	(10,972)	(744)	(854)	(730)
Gain on disposal of investments in joint ventures and associates	(19,974)	(31,899)	(61,653)	(52,726)
Gain on disposal of premises and equipment and other assets	(13,052)	(1,134)	(6,814)	(5,827)
Reversal of impairment loss on premises and equipment and other assets	(3,051)	(533)	(539)	(461)
Gain on disposal of group held for sale		(159,794)		
Gain on disposal of assets held for sale		(1,039)		
Reversal of impairment loss on assets held for sale		(337)		
Reversal of impairment loss on disposal group held for sale and disposal group held for distribution to owners		(259)		
Changes in operating assets and liabilities:				
Financial instruments at fair value through profit or loss	2,413,710	1,547,502	(495,507)	(423,764)
Loans and receivables	(17,106,848)	(15,439,044)	(23,150,910)	(19,798,948)
Other assets	54,493	(92,867)	1,922	1,644
Deposits due to customers	9,705,237	14,052,504	20,620,287	17,634,728
Provision for guarantee and loan commitment	(98,270)	(106,780)	(66,399)	(56,785)
Net defined benefit liability	(158,487)	(276,638)	(255,585)	(218,579)
Other financial liabilities	(1,147,373)	(1,933,627)	1,205,411	1,030,883
Other liabilities	38,359	(16,183)	(91,116)	(77,924)
Cash received from (paid for) operating activities:				
Interest income received	12,918,030	10,171,063	8,692,851	7,434,235
Interest expense paid	(6,974,736)	(5,210,976)	(4,355,880)	(3,725,203)
Dividends received	151,051	155,164	100,368	85,836

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Income tax paid	(479,002)	(117,589)	(534,829)	(457,392)
Net cash provided by (used in) operating activities	(2,997,949)	281,244	(383,906)	(328,321)

(Continued)

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Table of Contents**WOORI BANK AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)****FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015**

	2013	Korean Won 2014 (in millions)	2015	U.S. Dollars 2015 (in thousands) (Note 2)
Cash flows from investing activities:				
Net cash provided by disposal of assets held-for-sale (Note 46)		1,193,584		
Net cash provided by the merger of Saudara bank (Note 50)		81,100		
Disposal of available-for-sale financial assets	26,449,831	26,865,684	18,426,846	15,758,869
Redemption of held-to-maturity financial assets	6,768,916	4,823,630	6,404,711	5,477,389
Disposal of investments in joint ventures and associates	106,438	235,778	75,599	64,653
Disposal of investment properties	6,583			
Disposal of premises and equipment	18,478	36,364	18,600	15,907
Disposal of intangible assets	8,660	88,197	1,782	1,525
Disposal of assets held for sale	54,611	29,857	3,711	3,175
Decrease of derivatives for hedging	14,632		56,956	48,709
Acquisition of PT. Bank Himpunan Saudara 1906 (Saudara Bank)			(38,535)	(32,956)
Acquisition of available-for-sale financial assets	(29,152,120)	(28,527,400)	(16,305,797)	(13,944,922)
Acquisition of held-to-maturity financial assets	(4,250,044)	(5,658,655)	(7,138,013)	(6,104,518)
Acquisition of investments in joint ventures and associates	(144,644)	(67,431)	(1,098)	(939)
Acquisition of investment properties	(513)	(18)		
Acquisition of premises and equipment	(159,437)	(140,639)	(129,454)	(110,711)
Acquisition of intangible assets	(107,092)	(86,910)	(97,891)	(83,718)
Acquisition of assets held for sale	(7,266)			
Increase of derivatives for hedging		(14,153)	(3,273)	(2,799)
Net cash provided by (used in) investing activities	(392,967)	(1,141,012)	1,274,144	1,089,664
Cash flows from financing activities:				
Net increase in borrowings	3,113,963		2,327,730	1,990,704
Issuance of debentures	10,501,447	18,229,052	13,502,777	11,547,744
Issuance of hybrid securities		159,618	795,179	680,047
Increase of paid in capital in subsidiaries	80,273	1,121	3,787	3,239
Issuance of hybrid securities in subsidiaries	985,553			
Cash outflow due to the Spin-off		(792,949)		
Net decrease in borrowings		(927,711)		
Repayment of debentures	(10,084,216)	(15,448,663)	(16,425,353)	(14,047,168)
Dividends paid	(201,503)		(504,952)	(431,841)
Acquisition of treasury stock		(37,580)		
Expenses on stock issued		(3)		
Dividends paid on hybrid securities	(29,398)	(60,780)	(179,758)	(153,731)
Dividends paid on non-controlling interests		(8,042)	(824)	(705)
Dividends paid on hybrid securities of subsidiaries	(147,498)	(98,522)		
Redemption of non-controlling hybrid securities		(702,995)		
Other decrease in non-controlling interests, net	(38,643)	(1,119)		
Net cash provided by (used in) financing activities	4,179,978	311,427	(481,414)	(411,711)
Net increase (decrease) in cash and cash equivalents	789,062	(548,341)	408,824	349,632
Cash and cash equivalents, beginning of the period	5,778,390	6,472,459	5,962,861	5,099,513
Effects of exchange rate changes on cash and cash equivalents	(94,993)	38,743	272,370	232,934

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Cash and cash equivalents, end of the period (Note 6)	6,472,459	5,962,861	6,644,055	5,682,079
Cash and cash equivalents directly associated with disposal group held for sale	(303,202)			
Cash and cash equivalents directly associated with disposal group held for distribution to owners	(691,608)			
Cash and cash equivalents on consolidated statement of financial position	5,477,649	5,962,861	6,644,055	5,682,079

See notes to consolidated financial statements

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WOORI BANK AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015

1. GENERAL

(1) Summary of the parent company

Woori Bank (hereinafter referred to the Bank), which is a controlling entity in accordance with International Financial Reporting Standards (IFRS) 10 *Consolidated Financial Statements*, was established in 1899 and is engaged in the commercial banking business under the Banking Law, trust business under the Financial Investment Services and Capital Market Act, and foreign currencies exchange business with approval from the Bank of Korea (BOK) and the Ministry of Finance and Economy (MOFE).

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

Previously, Woori Finance Holdings Co., Ltd., the former holding company of Woori Financial Group, established on March 27, 2001 held a 100% ownership of the Bank. Effective November 1, 2014, Woori Finance Holdings Co., Ltd. completed its merger with and into Woori Bank, its wholly-owned subsidiary, as contemplated by the merger agreement dated July 28, 2014, by and between Woori Finance Holdings Co., Ltd. and Woori Bank. Accordingly, the shares of the Bank, 597 million shares, prior to the merger, were reduced to nil in accordance with capital reduction procedure, and then, in accordance with the merger ratio, the Bank newly issued 676 million shares. As a result, as of December 31, 2015, the common stock of the Bank amounts, expressed in Korean Won (the KRW or Won), to 3,381,392 million Won.

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

As of December 31, 2015 and 2014, Korea Deposit Insurance Corporation (KDIC), as the largest shareholder, held 345 million shares (51.06% ownership) and 345 million shares (51.04% ownership), respectively, of the Bank's shares issued.

The head office of the Bank is located in 51 Sogong-ro, Jung Gu, Seoul, Korea. The Bank has 956 branches and offices in Korea, and 21 branches and offices overseas as of December 31, 2015.

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

Subsidiaries	Main business	Percentage of ownership (%)	
		December 31, 2014	December 31, 2015
Woori Bank:			
Woori FIS Co., Ltd.	System software development & maintenance	100.0	100.0
Woori Private Equity Co., Ltd.	Finance	100.0	100.0
Woori Finance Research Institute Co., Ltd.	Other service business	100.0	100.0
Woori Card Co., Ltd.	Finance	100.0	100.0
Woori Investment Bank Co., Ltd. ^(*6)	Other credit finance business	59.5	58.2
Woori Credit Information Co., Ltd.	Credit information	100.0	100.0
Woori America Bank	Finance	100.0	100.0
Woori Global Markets Asia Limited		100.0	100.0
Woori Bank (China) Limited		100.0	100.0
ZAO Woori Bank		100.0	100.0
PT Bank Woori Saudara Indonesia 1906 Tbk		74.0	74.0
Woori Brazil Bank		100.0	100.0
Korea BTL Infrastructure Fund		99.9	99.9
Woori Fund Service Co., Ltd.		100.0	100.0
Woori Finance Cambodia		100.0	100.0
Woori Finance Myanmar ^(*7)			100.0
Kumho Trust First Co., Ltd. ^(*1)	Asset securitization	0.0	0.0
Asiana Saigon Inc. ^(*1)		0.0	0.0
An-Dong Raja First Co., Ltd. ^(*1)		0.0	0.0
Consus Eighth Co., LLC ^(*1)		0.0	0.0
KAMCO Value Recreation First Securitization Specialty Co., Ltd. ^(*1)		15.0	15.0
Woori IB Global Bond Co., Ltd. ^(*3)		0.0	
Hermes STX Co., Ltd. ^(*1)		0.0	0.0
BWL First Co., LLC ^(*1)		0.0	0.0
Woori Poongsan Co., Ltd. ^(*1)		0.0	0.0
Pyeongtaek Ocean Sand Inc. ^(*3)		0.0	
Deogi Dream Fourth Co., Ltd. ^(*1)		0.0	0.0
Jeonju Iwon Ltd. ^(*1)		0.0	0.0
Wonju I one Inc. ^(*1)		0.0	0.0
Newyear Eighth Co., Ltd. ^(*3)		0.0	
Jilrian First Co., Ltd. ^(*3)		0.0	
Heitz Third Co., Ltd. ^(*1)		0.0	0.0
Woorihansoop 1st Co., Ltd. ^(*1)			0.0
Electric Cable First Co., Ltd. ^(*1)			0.0
Woori International First Co., Ltd. ^(*1)			0.0
Uri HJ First Co., Ltd. ^(*1)			0.0
Haeoreum Short-term Bond 15th and 34 beneficiary certificates for the rest ^(*4)	Securities investment and others		
Principle Guaranteed Trust ^(*2)	Trust	0.0	0.0
Principle and Interest Guaranteed Trust ^(*2)		0.0	0.0
Woori Bank and Woori Private Equity Co., Ltd.:			
Woori Private Equity Fund ^(*5)	Other financial business	31.9	31.9
Woori Private Equity Fund:			
Woori EL Co., Ltd.	Other financial business	100.0	100.0
Woori Investment Bank:			
Dongwoo First Securitization Specialty Co., Ltd. ^(*1)	Asset securitization		5.0
Woori Investment Bank:			
My Asset Manhattan Private REIT First ^(*3)	Securities investment	76.6	

(*1) The entity is a structured entity for the purpose of asset securitization and included in the consolidation scope. See the table below for a detailed explanation on the Group's involvement with these structured entities.

(*2)

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The entity is a money trust under the Financial Investment Services and Capital Markets Act and included in the consolidation scope. See the table below for a detailed explanation on the Group's involvement with these structured entities.

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- (*3) The entity is deconsolidated as the liquidation or disposal procedure was completed for the year ended December 31, 2015.
- (*4) The entity is a structured entity for the purpose of investment in securities and included in the consolidation scope. See the table below for a detailed explanation on the Group's involvement with these structured entities.
- (*5) The entity is included in the consolidation scope, for the Group, as a general partner, has controlling power.
- (*6) The ownership interest as of December 31, 2015 decreased as Woori Private Equity Fund sold its ownership of Woori Investment Bank Co., Ltd. for the year ended December 31, 2015.
- (*7) For the year ended December 31, 2015, as the Group acquired majority of the capital stock of the company, the entity was included in the subsidiary. To determine whether the Group controls the structured entities, where the Group does not hold any ownership in them, the Group considered various factors in accordance with the Group's accounting policy, which can be summarized as follows:

Involvement with the entity

The Group is involved with structured entities through the purchase of securities issued by the structured entities, such as senior, mezzanine, or subordinated bonds.

The Group's role within the entity

This is a case where the Group arranges the securitizations of its own or third parties' assets and supports the transaction by purchasing the subordinated bond issued by the structured entity.

Structured Entities

KAMCO Value Recreation First Securitisation Specialty CO., Ltd.

As for the consolidated structured entities in this category, the Group is significantly exposed to the variable returns from the entities through the subordinated holdings more than other investors and the Group has the power over relevant activities that significantly affect the variable return such as the Group has the right to determine to wind down the entity, as a major investor, in case of default.

The Group is involved with structured entities through the provision of credit facilities to the entities, such as through financial guarantee and purchase agreement of asset-backed commercial papers (ABCP).

This is a case where the Group supports the securitization transactions through provision of liquidity facilities or other credit enhancements, such as financial guarantees. The Group also sponsors a number of asset-backed commercial paper (ABCP) conduits by arranging the acquisition of loans.

Kumho Trust First Co., Ltd and 14 structured entities

As for the consolidated structured entities in this category, the Group is significantly exposed to the variable returns from the entities through the financial guarantees or purchase agreement provided more than other investors and the Group has the power over relevant activities that significantly effects the variable return such as the Group has the right to determine to dispose the securitized assets of the entity, through the contracts, in case of default.

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Involvement with the entity	The Group's role within the entity	Structured Entities
The Group is involved with a structured entity by originating loans directly to the entity.	This is a case where the Group invests in a structured entity, such as origination of loans.	Consus Eighth Co., LLC.
	As for the consolidated structured entities in this category, the Group is significantly exposed to the variable returns from the entities through the loan originated and the Group has the power over relevant activities that significantly effects the variable return such as the Group makes significant investment decisions.	
The Group manages funds on behalf of the customers through the operation of trusts accounts.	This is a case where the Group is designated as a trustee by the customers (or investors) of the trusts to manage operations, investments, and financing, and they do not participate in such decision making process.	Principal guaranteed trusts Principal and interest guaranteed trusts
	As for the consolidated structured entities in this category, the Group is exposed to expected loss from the trusts, through its provision of guarantee on the original principal or both of principal and interests.	

- (3) As of December 31, 2014 and 2015, despite having more than a 50% ownership interests, the Group has not consolidated the following companies as the Group do not have the ability to control following subsidiaries:

Entities	Location	As of December 31, 2015	
		Main business	Percentage of ownership (%)
Golden Bridge NHN Online Private Equity Investment ^(*)	Korea	Securities Investment	60.0
Heungkuk High Class Private Equity Securities Investment Trust 377th ^(*)	Korea	Securities Investment	51.3
Mirae Asset Maps Clean Water Private Equity Investment Trust 7th ^(*)	Korea	Securities Investment	59.7
Kiwoom Yonsei Private Equity Investment Trust ^(*)	Korea	Securities Investment	88.9
		As of December 31, 2014	
Entities	Location	Main business	Percentage of ownership (%)
Golden Bridge NHN Online Private Equity Investment ^(*)	Korea	Securities Investment	60.0
Heungkuk High Class Private Equity Securities Investment Trust 377th ^(*)	Korea	Securities Investment	51.3

- (*) The Group owns the majority ownership interest in these structured entities, but has no power on the investees relevant activities since the exercise of the Group's voting right is limited with contracts with other investors. As a result, it is deemed that the Group has no power or control on the structured entities.

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

	As of and for the year ended December 31, 2014				
	Assets	Liabilities	Operating revenue	Net income (loss) attributable to owners	Comprehensive income (loss) attributable to owners
Woori FIS	246,580	211,671	289,485	(1,285)	(4,564)
Woori Private Equity	80,292	37,442	4,387	2,087	2,144
Woori Finance Research Institute	3,682	467	6,619	91	94
Woori Card	5,732,039	4,543,180	1,203,131	89,107	105,438
Woori Investment Bank Co.,Ltd.	1,001,542	861,209	84,282	4,536	8,642
Woori Credit Information	33,500	6,049	32,412	2,198	2,082
Woori America Bank	1,338,415	1,170,884	49,945	5,587	12,641
PT Bank Woori Saudara Indonesia 1906 Tbk	1,735,356	1,390,103	85,851	14,563	17,589
Woori Global Market Asia Limited	274,132	164,246	6,319	759	5,345
Woori Bank (China) Limited	3,844,399	3,397,735	205,273	8,887	26,980
ZAO Woori Bank	254,716	218,122	12,982	4,418	(18,193)
Woori Brazil Bank	164,282	131,319	18,468	1,647	(1,090)
Korea BTL Infrastructure Fund	669,818	262	35,136	31,750	31,750
Woori Fund Service	9,070	426	4,895	(415)	(415)
Woori Finance Cambodia	11,930	6,716	1,790	266	615
Money trust under the Trust Business Act	1,452,201	1,423,694	64,736	603	603
Structured entity for the securitization of financial assets	434,845	882,984	34,734	(22,798)	(100,951)
Security investments structured entity	3,789,630	800,013	69,543	22,465	45,040

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As of and for the year ended December 31, 2015

	Assets	Liabilities	Operating revenue	Net income (loss) attributable to owners	Comprehensive income (loss) attributable to owners
Woori FIS	161,778	127,701	260,657	1,421	(833)
Woori Private Equity	89,365	45,491	3,669	1,224	1,024
Woori Finance Research Institute	3,605	328	4,149	86	62
Woori Card	6,604,059	5,295,225	1,379,873	116,858	119,976
Woori Investment Bank Co.,Ltd.	1,206,156	1,057,992	129,404	10,435	7,830
Woori Credit Information	33,957	6,691	31,271	1,806	1,830
Woori America Bank	1,701,191	1,509,304	67,932	12,893	24,356
PT Bank Woori Saudara Indonesia 1906 Tbk	1,770,900	1,417,952	375,747	24,023	10,691
Woori Global Market Asia Limited	245,246	126,401	6,851	1,763	8,958
Woori Bank (China) Limited	4,016,968	3,511,268	408,566	1,056	32,855
ZAO Woori Bank	261,026	225,194	17,301	7,232	(762)
Woori Brazil Bank	106,239	80,653	19,850	2,330	(7,377)
Korea BTL Infrastructure Fund	739,502	279	34,042	30,307	30,307
Woori Fund Service	9,818	815	6,247	358	358
Woori Finance Cambodia	22,767	16,607	2,705	579	946
Woori Finance Myanmar	2,252	29	9	(117)	(166)
Money trust under the Trust Business Act	1,477,657	1,449,024	56,397	125	125
Structured entity for the securitization of financial assets	545,534	961,065	22,728	(13,685)	(6,662)
Security investments structured entity	3,071,375	562,477	126,904	26,906	41,080

(5) Structured entities

The Group is involved with structured entities, mainly through securitization of financial assets, investment fund, and money trust.

The Group arrangements that involve structured entities are authorized properly when they are established to ensure appropriate purpose and governance. The activities of structured entities administered by the Group are closely monitored by its management. The Group has involvement with both consolidated and unconsolidated structured entities, which may be established by the Group or by a third party.

Structured entities are assessed for consolidation in accordance with the accounting policy set out in Note 2. (2), and also refer to Note 1. (2).

Consolidated structured entities

Securitizations

The Group uses structured entities to securitize loan and receivables, corporate bonds, and other financial assets that it has originated or acquired in order to diversify its source of funding for asset origination and capital efficiency purposes. In turn, the structured entities issue asset backed securities collateralized by the transferred financial assets. In these securitizations, various classes of debt securities are issued to the Group and third parties, and the structured entities have mainly issued subordinated notes to the Group, an assets transferor. The subordinated notes are designed to absorb potentially could be significant to the structured entities. These structured entities are generally consolidated when the Group has the power to direct the relevant activities of the entities and exposed to or have rights to variable returns from the entities. In addition, the Group involves with structured

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entities which are established by third parties mainly for securitization through provision of liquidity facilities including financial guarantees, which are designed to provide credit support to the entities, or investing in securities issued by structured entities or providing financing to structured entities through loans.

Investment funds

The Group has established a number of money market and non-money market funds where it is deemed to be acting as principal rather than agent its role as investment manager, the Group controls and hence consolidate these funds. Also the Group is deemed to control a number of third-party managed funds through its involvement as a principal in the funds.

Money trusts under the Trust Business Act

The Group has consolidated its guaranteed money trusts due to its provision of financial guarantee for investors over principal and interest or principal only. Thus, the Group may be obliged to supplement when the principal or interest of the money trusts is short of the guaranteed amount.

Unconsolidated structured entities

The term **unconsolidated structured entities** refers to all structured entities, including asset securitisation vehicles, special purpose entities for structured finance, investment funds, and private equity funds, etc., that are not controlled by the Group. The Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and for specific investment opportunities.

Total assets of the unconsolidated structured entities, the carrying value of the related items recorded, the maximum exposure to risks, and the loss recognized as of and for the year ended December 31, 2014 and 2015 are as follows (Unit: Korean Won in millions):

	December 31, 2014		
	Asset securitization vehicle	Structured finance	Investment funds
Total asset of the unconsolidated structured entities	8,701,441	39,770,040	7,174,629
Assets recognized in the consolidated financial statements related to the unconsolidated structured entities	613,105	2,484,397	926,993
Loans and receivables	185,946	2,293,115	
Financial assets at fair value through profit or loss	190,303		
Available-for-sale financial assets		153,606	586,035
Held-to-maturity financial assets	236,807		
Investments in joint ventures and associates			340,958
Derivative assets	49	37,676	
Liabilities recognized in the consolidated financial statements related to the unconsolidated structured entities	70,638	564	
Other liabilities (including provisions)	70,638	564	
The maximum exposure to risks	2,295,445	3,016,797	926,993
Investments	613,105	2,484,395	926,993
Purchase agreements	340,560		
Credit facilities	1,341,780	470,590	
Other agreements		61,812	
Loss recognized on unconsolidated structured entities		6,661	36,961

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

(6) The details of limitations with regard to the transfer of assets or the redemption of liabilities within the Group are given below: Some subsidiaries and affiliates are regulated by the rules and regulations of each jurisdiction, in which they have been incorporated, with regard to funding or management of customer deposits. In addition, there may be potential restrictions that they should have pre-approvals from their regulators in the case of remittance of earnings to their parent companies.

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

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

	December 31, 2014	December 31, 2015
Woori Investment Bank	60,121	64,013
PT Bank Woori Saudara Indonesia 1906 Tbk	56,828	58,880

2) Net income attributable to non-controlling interests

	For the year ended December 31, 2013	For the year ended December 31, 2014	For the year ended December 31, 2015
Woori Investment & Securities ^(*)	(313,928)	(125,724)	
Woori Financial ^(*)	28,925		
Woori Investment Bank	(56,408)	2,215	4,353
PT Bank Woori Saudara Indonesia 1906 Tbk		702	6,241

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

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3) Dividends to non-controlling interests

	For the year ended December 31, 2013	For the year ended December 31, 2014	For the year ended December 31, 2015
Woori Investment & Securities ^(*)	15,115	8,029	
Woori Financial ^(*)	6,084		
PT Bank Woori Saudara Indonesia 1906 Tbk			778

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

4) Change of non-controlling interest due to merger

Indonesia Woori Bank, which was a subsidiary of the Bank, and Saudara Bank were merged into PT Bank Woori Saudara Indonesia 1906 Tbk during the year ended December 31, 2014. Due to the merger, the Bank's ownership ratio of the company decreased from 95.2% to 74.0%. In addition, the non-controlling interests increased by 49,134 million Won, and the increase was recognized as a decrease of equity attributable to the owner of the Bank (Note 50).

2. SIGNIFICANT BASIS OF PREPARATION AND ACCOUNTING POLICIES

(1) Basis of presentation

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The issuance of the Group's consolidated financial statements as of and for the year ended December 31, 2015, was approved by the Board of Directors on February 4, 2016.

The Group operates primarily in Korea and its official accounting records are maintained in Korean Won. The United States dollar (U.S. dollar or US\$ or USD) amounts are provided herein as supplementary information solely for the convenience of readers outside Korea. Korean Won amounts are expressed in U.S. Dollars at the rate of 1,169.3 Korean Won to US\$1.00, the noon buying exchange rate in effect on December 31, 2015, as quoted by the Federal Reserve Bank of New York in the United States. Such convenience translation into U.S. Dollars should not be construed as representations that Korean Won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

The significant accounting policies that have been applied for the preparation of the consolidated financial statements for the year ended December 31, 2015 are described below. There have not been changes to the significant accounting policies except for the impacts from the adoptions of accounting standards or interpretations which are explained below.

The Group's consolidated financial statements have been prepared based on the historical cost method except for specific non-current assets and certain financial assets or liabilities reported at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

Amendments to IAS 19 *Employee Benefits*

If the amount of the contributions is independent from the numbers of years of service, the Group is permitted to recognize such contributions as a reduction in the service cost in the period in which the related service is rendered. The adoption of the amendments has no significant impact on the consolidated financial statements.

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Other than the amendment stated above, there are several annual improvements in the current period, but the application of the amendments has had no material effect on the Group's consolidated financial statements.

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

Amendments to IAS 1 Presentation of Financial Statements

The amendments to IAS 1 clarify the concept of applying materiality in practice and restrict an entity reducing the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments to IFRS 1 are effective for annual periods beginning on or after January 1, 2016.

Amendments to IAS 16 Property, Plant and Equipment

The amendments to IAS 16 prohibit the Group from using a revenue-based depreciation method for items of property, plant and equipment. The amendments are effective for the annual periods beginning on or after January 1, 2016.

Amendments to IAS 38 Intangible Assets

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

Amendments to IFRS 10 Consolidated Financial Statements & IFRS 12 Disclosure of Interests in Other Entities & IAS 28 Investment in associates

The amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries. The amendments are effective for annual periods beginning on or after January 1, 2016

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provides guidance on how to account for the acquisition of joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations. The amendments are effective for the annual periods beginning on or after January 1, 2016.

Enactment of IFRS 9 Financial Instruments

The amendments to IFRS 9 contain the requirements for the classification and measurement of financial assets and financial liabilities based on a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and based on the contractual terms that give rise on specified dates to cash flows, impairment methodology based on the expected credit losses, and broadened types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting and the change of the hedge effectiveness test. The enactment is effective for annual periods beginning on or after January 1, 2018.

Enactment of IFRS 15 Revenue from Contracts with Customers

The core principle under IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects

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to be entitled in exchange for those goods or services. The amendments introduces a 5-step approach to revenue recognition and measurement: 1) Identify the contract with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to the performance obligations in the contract, 5) Recognize revenue when (or as) the entity satisfies a performance obligation. This standard will supersede IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmers*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers*, and SIC 31 *Revenue-Barter Transactions Involving Advertising Services*. The enactment is effective for annual periods beginning on or after January 1, 2018.

Enactment of IFRS 16 *Leases*

IFRS 16 was issued in January 2016 to replace IAS 17 *Leases*. Accounting for finance leases will remain substantially the same. Operating leases will be brought on statement of financial position through the recognition of assets representing the contractual rights of use and liabilities will be recognised for the contractual payments. The enactment is effective for annual periods beginning on or after January 1, 2019.

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

(2) Basis of consolidated financial statement presentation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries (including structured entities) controlled by the Bank (the Group). The Group determines that the Group controls an investee if the Group has all the following: 1) power over the investee, 2) exposure, or rights, to variable returns from its involvement with the investee, 3) the ability to use its power over the investee to affect the amount of the investor's 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 still has the power over the investee if 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 size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

Potential voting rights held by the Group, other vote holders or other parties;

Rights arising from other contractual arrangements; or

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 statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, respectively, as appropriate. The carrying amount of non-controlling interests is adjusted to reflect their proportional share of changes in equity subsequent to the initial recognition. Total comprehensive income of subsidiaries is attributed to the owners of the Group and the non-controlling interests even if this result in the non-controlling interests has a deficit balance.

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When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those adopted by the Group.

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

Changes in the Group's ownership interests in subsidiaries, without a loss of control, are accounted for as equity transactions. The carrying amounts of the owners' interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the adjusted non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, the profit 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 the 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 net income 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 IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(3) Business combinations

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

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the condition for recognition under IFRS 3 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 IAS 12 *Income Taxes* and IAS 19 *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 IFRS 2 *Share-based Payment* at the acquisition date; and

non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *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.

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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

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

(4) Investments in joint ventures and associates

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

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

The net income of current period and the financial results of the joint ventures and associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *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

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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 IAS 39 *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 IFRS 5.

The requirements of IAS 39 *Financial Instruments: Recognition and Measurement* to determine whether there has been a loss event are applied to identify whether it is necessary to recognize any impairment loss with respect to the Group's investment in the joint ventures and associates. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *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 IAS 36 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.

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

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

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

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

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

(6) Revenue recognition

1) Interest income

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

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

2) Loan origination fees and costs

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

3) Fees and commissions income

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

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

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

4) Trust fees and compensation related to trust accounts

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

(7) Accounting for foreign currencies

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

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

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

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

(8) Cash and cash equivalents

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

(9) Financial assets and financial liabilities

1) Financial assets

A regular way purchase or sale 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.

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On initial recognition, financial assets are classified into held-for-trading, designated as at fair value through profit or loss (FVTPL), AFS financial assets, held-to-maturity (HTM) investments and loans and receivables. Regular way purchases of financial assets classified as loans and receivables are recognized on settlement date; all other regular way transactions in financial assets are recognized on trade date.

Held-for-trading:

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

Designated as at FVTPL:

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

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

AFS financial assets:

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

HTM investments:

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

Loans and receivables:

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except those that are classified as AFS or as held-for-trading, or designated as at FVTPL. Loans and receivables are initially recognized at fair value plus directly related transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment losses. Interest income is recognized using the effective interest method, except for the short-term receivables to which the present value discount is not meaningful.

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2) Financial liabilities

On initial recognition financial liabilities are classified into held-for-trading; designated as at FVTPL; or amortized cost. Issues of equity or financial liabilities measured at amortized cost are recognized on settlement date; all other regular way transactions in financial instruments are recognized on trade date.

Held-for-trading:

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

Designated as at FVTPL:

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

Amortized cost:

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

3) Reclassifications

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

4) Derecognition of financial assets and liabilities

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

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

On derecognition of a financial assets other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset, or it retains a residual interest and such an retained interest indicates that

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the transferor has neither transferred nor retained substantially all the risks and rewards of ownership and has retained control of the transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair value of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part that is no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair value of those parts.

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

5) Fair value of financial assets and liabilities

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

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

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

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

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

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

Financial assets at FVTPL and AFS financial assets:

The fair value of the securities included in financial assets at FVTPL and AFS financial assets are recognized in the consolidated statements of financial position based on quoted market prices, where available.

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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.

Derivative assets and liabilities:

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

Valuation Adjustments:

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

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

6) Impairment of the financial assets

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

Financial assets carried at amortized cost:

If there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as HTM investments or as loans and receivables has been incurred, the Group measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of estimated future cash flows from the asset or group of assets discounted at the effective interest rate of the

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instrument at initial recognition. For collateralized loans and receivables, estimated future cash flows include cash flows that may result from foreclosure less the costs of obtaining and selling the collateral.

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

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

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

Financial assets carried at fair value:

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

(10) Offsetting financial instruments

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

(11) Investment properties

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

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

While land is not depreciated, all other investment properties are depreciated based on the respective assets' estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis. For the estimated useful lives for investment properties, please refer to Note 2. (12)

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

(12) Premises and equipment

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

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

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

	Useful life
Buildings used for business purpose	35 to 57 years
Structures in leased office	4 to 5 years
Properties for business purpose	4 to 5 years
Leased assets	Useful lives of the same kind or

similar other premises and equipment

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

(13) Intangible assets and goodwill

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

	Useful life
Patents	10 years
Development costs	5 years
Software and others	4 to 5 years

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

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

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

(14) Impairment of non-monetary assets

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

(15) Leases

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

1) As a lessor

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

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

2) As a lessee

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

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

(16) Derivative instruments

Derivative instruments are classified as forward, futures, option, and swap, depending on the types of transactions and are classified as either trading or hedging depending on the purpose. Derivatives are initially

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recognized at fair value at the date the derivative contract is entered into and are subsequently measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in net income immediately unless the derivative is designated and effective as a hedging instrument.

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

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

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

1) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in net income immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Hedge accounting is discontinued when the Group revokes the hedging relationship or when the hedging instrument is no longer qualified for hedge accounting. The fair value adjustment to the carrying amount of the hedged item is amortized to net income from that date to maturity using the effective interest method.

2) Cash flow hedge

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

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

3) Net investment hedge

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

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

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this, the non-current asset

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(or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

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

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method.

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

(18) Disposal group held for distribution to owners

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

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

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

(19) Provisions

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

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

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

(20) Capital and compound financial instruments

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

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

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

(21) Financial guarantee contracts

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

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

(22) Employee benefits and pensions

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

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

Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan

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amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are composed of service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income), and rereasurement.

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

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

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

(23) Income taxes

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

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

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

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

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

(24) Earnings per share (EPS)

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

Table of Contents**3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The significant accounting estimates and assumptions are continually evaluated and are based on historical experiences and various factors including expectations of future events that are considered to be reasonable. Actual results can differ from those estimates based on such definitions.

The significant judgments which management has made about the application of the Group's accounting policies and key sources of uncertainty in estimate do not differ from those used in preparing the consolidated financial statements for the year ended December 31, 2014.

(1) Impairment of goodwill

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

(2) Income taxes

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

(3) Valuation of financial instruments

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

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

(4) Impairment of loan and receivables

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

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

1) Financial assets that are individually significant

Delinquent loans

Debt in restructuring

Probable state of debtor's bankruptcy or liquidation

Occurrence of significant reduction in the value of securities

Breach of limit or debt covenant

Deterioration of operating performance

2) Financial assets that are not individually significant

Repayment status of debtor or observable macro-economic indexes

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

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

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

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

(5) Defined benefit plan

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

(6) Valuation of disposal group held for distribution to owners.

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The Group measured fair value of disposal group held for distribution to owners by the chosen valuation techniques and assumptions as described in Note 47. The Group believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of the disposal group held for distribution to owners.

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4. RISK MANAGEMENT

The Group's operating activity is exposed to various financial risks. The Group is required to analyze and assess the level of complex risks, and determine the permissible level of risks and manage such risks.

The Group's risk management procedures have been established to improve the quality of assets for holding or investment purposes by making decisions as how to avoid or mitigate risks through the identification of the source of the potential risks and their impact.

The Group has established an approach to manage the acceptable level of risks and reduce the excessive risks in financial instruments in order to maximize the profit given risks present, for which the Group has implemented processes for risk identification, assessment, control, and monitoring and reporting. The risk is managed by the risk management department in accordance with the Group's risk management policy. The Risk Management Committee makes decisions on the risk strategies such as the avoidance of concentration on capital at risk and the establishment of acceptable level of risk.

(1) Credit risk

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

1) Credit risk management

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

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

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

2) Maximum exposure to credit risk

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

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

	December 31, 2014	December 31, 2015
Loans and receivables:		
Korean treasury and government agencies	15,171,424	12,062,603
Banks	18,063,113	19,048,126
Corporates	86,476,378	93,765,023
Consumers	103,659,220	119,966,310
Sub-total	223,370,135	244,842,062
Financial assets at fair value through profit or loss (FVTPL):		
Deposits indexed to gold prices	13,816	24,884
Debt securities held for trading	2,248,619	2,617,406
Designated at FVTPL		986
Derivative assets for trading	2,111,467	2,390,497
Sub-total	4,373,902	5,033,773
Available-for-sale (AFS) debt securities	13,929,502	14,723,577
Held-to-maturity (HTM) securities	13,044,448	13,621,640
Derivative assets for hedging	196,061	183,128
Off-balance sheet items:		
Guarantees	18,027,919	17,315,443
Loan commitments	89,637,659	88,211,580
Sub-total	107,665,578	105,527,023
Total	362,579,626	383,931,203

a) Credit risk exposure by geographical areas

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

	December 31, 2014						Total
	Korea	China	USA	UK	Japan	Others (*1)	
Loans and receivables	212,449,592	2,816,702	2,077,362	529,898	231,580	5,265,001	223,370,135
Financial assets at FVTPL (*2)	2,248,619			13,816			2,262,435
AFS debt securities	13,630,602	21,713	83,817			193,370	13,929,502
HTM securities	12,988,233		20,578			35,637	13,044,448
Off-balance sheet items	105,379,926	810,798	109,327	30,682	22,116	1,312,729	107,665,578
Total	346,696,972	3,649,213	2,291,084	574,396	253,696	6,806,737	360,272,098

	December 31, 2015						Total
	Korea	China	USA	UK	Japan	Others (*1)	
Loans and receivables	231,685,404	2,808,255	2,606,044	644,387	192,599	6,905,373	244,842,062

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Financial assets at FVTPL ^(*2)	2,618,392			24,884			2,643,276
AFS debt securities	14,427,447	38,094	96,443			161,593	14,723,577
HTM securities	13,525,799		15,112			80,729	13,621,640
Off-balance sheet items	103,454,192	607,685	88,552	107,239	28,884	1,240,471	105,527,023
Total	365,711,234	3,454,034	2,806,151	776,510	221,483	8,388,166	381,357,578

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

(*2) Financial assets at FVTPL comprise gold banking assets, debt securities held for trading, and financial assets designated at FVTPL.

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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, 2014						
	Service	Manufacturing	Finance and insurance	Construction	Individuals	Others	Total
Loans and receivables	46,360,779	34,440,991	33,001,223	4,934,866	95,561,400	9,070,876	223,370,135
Financial assets at FVTPL ^(*1)			1,173,672	6,025		1,082,738	2,262,435
AFS debt securities	908,885	86,239	8,496,984	10,000		4,427,394	13,929,502
HTM securities	1,802,707		7,011,702	473,133		3,756,906	13,044,448
Off-balance sheet items	18,327,049	35,325,448	14,611,613	5,822,769	27,890,865	5,687,834	107,665,578
Total	67,399,420	69,852,678	64,295,194	11,246,793	123,452,265	24,025,748	360,272,098

	December 31, 2015						
	Service	Manufacturing	Finance and insurance	Construction	Individuals	Others	Total
Loans and receivables	48,470,594	37,699,589	32,604,765	5,160,497	112,491,741	8,414,876	244,842,062
Financial assets at FVTPL ^(*1)	23,617	986	1,460,037			1,158,636	2,643,276
AFS debt securities	781,989	47,119	9,213,137	31,159		4,650,173	14,723,577
HTM securities	1,931,529	20,000	7,875,325	472,209		3,322,577	13,621,640
Off-balance sheet items	18,572,657	31,975,235	13,871,934	5,307,240	30,606,423	5,193,534	105,527,023
Total	69,780,386	69,742,929	65,025,198	10,971,105	143,098,164	22,739,796	381,357,578

(*1) Financial assets at FVTPL comprise gold banking assets, debt securities held-for trading, and financial assets designated at FVTPL.

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3) Credit risk of loans and receivables

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

	December 31, 2014							Total
	Corporates							
	Korean treasury and government agencies	Banks	General business	Small & medium sized enterprise	Project financing	Sub-total	Consumers	
Loans and receivables neither overdue nor impaired	15,175,161	18,073,440	47,346,422	30,217,255	7,070,507	84,634,184	102,348,847	220,231,632
Loans and receivables overdue but not impaired			59,501	116,155	44,230	219,886	1,130,426	1,350,312
Impaired loans and receivables			2,697,017	693,965	621,039	4,012,021	730,076	4,742,097
Gross loans and receivables	15,175,161	18,073,440	50,102,940	31,027,375	7,735,776	88,866,091	104,209,349	226,324,041
Allowance for credit losses	3,737	10,327	1,513,561	720,397	155,755	2,389,713	550,129	2,953,906
Total, net	15,171,424	18,063,113	48,589,379	30,306,978	7,580,021	86,476,378	103,659,220	223,370,135

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

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a) Credit quality of loans and receivables

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

	December 31, 2014							
	Corporates							
	Korean treasury and government agencies	Banks	General business	Small & medium sized enterprise	Project financing	Sub-total	Consumers	Total
Upper grade ^(*1)	15,171,424	18,063,113	33,452,114	11,982,008	4,395,653	49,829,775	97,539,727	180,604,039
Lower grade ^(*2)			13,543,336	17,878,446	2,626,124	34,047,906	4,630,874	38,678,780
Total	15,171,424	18,063,113	46,995,450	29,860,454	7,021,777	83,877,681	102,170,601	219,282,819
Value of collateral	814	378,858	16,429,701	23,260,308	3,862,733	43,552,742	81,571,671	125,504,085

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

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

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

The total amount in the above table are net of allowances for credit losses, for loans and receivables neither overdue nor impaired, amounting to 948,813 million Won and 821,588 million Won as of December 31, 2014 and 2015, respectively.

b) Aging analysis of loans and receivables

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

	December 31, 2014							
	Corporates							
	Korean treasury and government agencies	Banks	General business	Small & medium sized enterprise	Project financing	Sub-total	Consumers	Total
Past due								
Less than 30 days			54,282	87,404	31,385	173,071	940,488	1,113,559
30 to 60 days			2,748	15,359		18,107	91,111	109,218

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60 to 90 days	753	4,583		5,336	47,784	53,120
Total	57,783	107,346	31,385	196,514	1,079,383	1,275,897
Value of collateral ^(*)	6,128	92,077	15,000	113,205	844,864	958,069

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December 31, 2015								
Corporates								
Past due	Korean treasury and government agencies		General business	Small & medium sized enterprise	Project financing	Sub-total	Consumers	Total
	Banks							
Less than 30 days	92		52,157	58,854		111,011	716,245	827,348
30 to 60 days	120		3,902	16,584		20,486	98,889	119,495
60 to 90 days	222		9,537	4,969		14,506	39,330	54,058
Total	434		65,596	80,407		146,003	854,464	1,000,901
Value of collateral ^(*)			4,340	63,749		68,089	644,073	712,162

(*) The value of collateral held used to determine the recoverable amount of the loans when calculating Allowance for credit losses. The total amount in the above table are net of allowances for credit losses, for loans and receivables that are overdue but not impaired, amounting to 74,415 million Won and 58,270 million Won as of December 31, 2014 and 2015, respectively.

c) Impaired loans and receivables

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

December 31, 2014								
Corporates								
Impaired loans	Korean treasury and government agencies		General business	Small & medium sized enterprise	Project financing	Sub-total	Consumers	Total
	Banks							
Impaired loans			1,536,146	339,178	526,859	2,402,183	409,236	2,811,419
Value of collateral ^(*)			1,061,188	410,337	362,961	1,834,486	349,916	2,184,402

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

(*) The value of collateral held used to determine the recoverable amount of the loans when calculating Allowance for credit losses. The total amount in the above table are net of allowances for credit losses, for impaired loans and receivables amounting to 1,930,678 million Won and 1,598,199 million Won as of December 31, 2014 and 2015, respectively.

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4) Credit risk of debt securities

The Group manages debt securities based on the credit ratings from External Credit Assessment Institution (ECAI), Korea's qualified external rating agency, as follows (Unit: Korean Won in millions):

	December 31, 2014			Total
	Debt securities held for trading	AFS debt securities	HTM securities	
AAA	1,697,680	11,016,048	12,968,971	25,682,699
AA- ~ AA+	309,540	2,495,817	37,964	2,843,321
BBB- ~ A+	241,399	410,755	37,513	689,667
Below BBB-		6,882		6,882
Total	2,248,619	13,929,502	13,044,448	29,222,569

	December 31, 2015			Total
	Debt securities held for trading	AFS debt securities	HTM securities	
AAA	1,670,647	11,802,897	13,158,286	26,631,830
AA- ~ AA+	651,103	2,238,670	380,541	3,270,314
BBB- ~ A+	295,656	656,238	82,813	1,034,707
Below BBB-	986	25,772		26,758
Total	2,618,392	14,723,577	13,621,640	30,963,609

(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.

At the beginning of each year, the Risk Management Committee establishes a VaR limit, loss limit and risk capital limit by subsidiaries for its management purposes. The limit by investment desk/dealer is independently managed to the extent of the limit given to subsidiaries and the limit by investment and loss cut is managed by the risk management personnel with department.

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

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2) Sensitivity analysis of market risk

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

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

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

NII is a profit based indicator for displaying profit changes in the short term due to 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 economical 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 of time. 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, 2014 and 2015, respectively, and the VaR as of December 31, 2014 and 2015, respectively, are as follows (Unit: Korean Won in millions):

Risk factor	As of December 31, 2014		For the year ended December 31, 2014		As of December 31, 2015		For the year ended December 31, 2015	
	Average	Maximum	Minimum	Average	Maximum	Minimum		
Interest rate	1,403	1,982	14,948	1,029	2,907	2,742	3,991	1,211
Stock price	977	1,199	1,835	494	3,186	2,411	4,377	531
Foreign currencies	2,834	2,940	4,051	1,998	3,997	3,415	4,847	2,329
Commodity price	174	76	244	2	117	102	218	5
Diversification	(2,277)	(2,557)	(6,562)	(1,108)	(5,017)	(3,858)	(6,910)	(411)
Total VaR	3,111	3,640	14,516	2,415	5,190	4,812	6,523	3,665

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b) Non-trading activities

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

Name of scenario	December 31, 2014		December 31, 2015	
	NII	NPV	NII	NPV
Base case	4,066,282	20,834,907	4,248,972	22,441,148
Base case (Prepay)	4,069,926	20,031,483	4,243,033	21,418,343
IR 100bp up	4,399,344	20,556,629	4,628,056	21,747,451
IR 100bp down	3,738,667	21,118,466	3,863,665	23,192,051
IR 200bp up	4,732,405	20,287,594	5,007,090	21,107,510
IR 200bp down	3,355,164	21,403,671	3,137,452	23,998,930
IR 300bp up	5,065,465	20,029,447	5,386,122	20,517,630
IR 300bp down	2,562,087	21,689,568	2,123,516	25,345,104

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

	December 31, 2014		December 31, 2015	
	EaR	VaR	EaR	VaR
	137,081	80,800	153,717	80,086

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

	December 31, 2014						
	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	5years ~	Total
Asset:							
Loans and receivables	124,874,333	37,039,170	7,644,952	7,923,544	45,827,482	26,316,111	249,625,592
AFS financial assets	1,486,603	2,187,500	2,457,467	3,545,923	7,014,968	811,079	17,503,540
HTM financial assets	2,194,485	853,864	1,032,432	981,567	8,560,364	124,025	13,746,737
Total	128,555,421	40,080,534	11,134,851	12,451,034	61,402,814	27,251,215	280,875,869
Liability:							
Deposits due to customers	85,886,222	29,642,605	20,375,470	23,367,861	29,589,229	173,233	189,034,620
Borrowings	9,940,465	1,815,735	596,439	1,175,954	3,536,640	603,054	17,668,287
Debentures	3,589,060	2,321,152	2,104,165	2,872,430	10,876,612	4,923,245	26,686,664
Total	99,415,747	33,779,492	23,076,074	27,416,245	44,002,481	5,699,532	233,389,571

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

3) Currency risk

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

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

	December 31, 2014									
	USD		JPY		CNY		EUR		Others	Total
	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Won equivalent	Won equivalent
Asset:										
Loans and receivables	21,863	24,031,428	164,658	1,515,086	16,335	2,888,248	952	1,272,156	2,785,998	32,492,916
Financial assets at FVTPL	196	215,576	160	1,475				275	56	217,382
AFS financial assets	195	214,465	244	2,247	121	21,371	1	1,043	122,595	361,721
HTM financial assets	19	20,743							35,472	56,215
Total	22,273	24,482,212	165,062	1,518,808	16,456	2,909,619	953	1,273,474	2,944,121	33,128,234
Liability:										
Financial liabilities at FVTPL	232	255,315	788	7,252		36	1	971	6,451	270,025
Deposits due to customer	7,794	8,567,409	94,684	871,225	13,466	2,380,898	318	424,483	1,658,974	13,902,989
Borrowings	7,705	8,469,325	46,689	429,608	195	34,436	360	481,645	76,036	9,491,050
Debentures	4,405	4,842,111	33,564	308,832	200	35,362			631,284	5,817,589
Other financial liabilities	1,745	1,917,992	9,231	84,941	400	70,804	227	303,942	950,020	3,327,699
Total	21,881	24,052,152	184,956	1,701,858	14,261	2,521,536	906	1,211,041	3,322,765	32,809,352
Off-balance sheet items	12,076	13,273,813	53,436	491,683	2,592	458,228	808	1,079,887	2,140,306	17,443,917

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	December 31, 2015									
	USD		JPY		CNY		EUR		Others	Total
	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Won equivalent	Won equivalent
Asset:										
Loans and receivables	25,178	29,509,364	112,138	1,089,991	16,177	2,887,324	1,141	1,460,773	3,163,999	38,111,451
Financial assets at FVTPL	143	167,270	113	1,096			1	987	428	169,781
AFS financial assets	483	565,872			211	37,671		622	80,273	684,438
HTM financial assets	13	15,288							80,553	95,841
Total	25,817	30,257,794	112,251	1,091,087	16,388	2,924,995	1,142	1,462,382	3,325,253	39,061,511
Liability:										
Financial liabilities at										
FVTPL	149	174,554	499	4,853			33	42,299	98,312	320,018
Deposits due to customer	11,701	13,713,829	114,940	1,117,225	15,174	2,708,309	301	385,077	1,204,774	19,129,214
Borrowings	8,757	10,262,750	17,834	173,350	276	49,231	441	565,235	111,447	11,162,013
Debentures	3,054	3,578,711	5,680	55,209	900	160,632	33	42,257	503,066	4,339,875
Other financial liabilities	2,150	2,519,715	3,176	30,867	2,850	508,596	69	88,658	706,388	3,854,224
Total	25,811	30,249,559	142,129	1,381,504	19,200	3,426,768	877	1,123,526	2,623,987	38,805,344
Off-balance sheet items	9,914	11,619,118	26,451	257,103	797	142,208	528	676,588	504,092	13,199,109

(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. Of the financial liabilities on the consolidated statements of financial position, financial liabilities in relation to liquidity risk become the objects of liquidity risk management. Derivatives 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.

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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, 2014						Total
	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	5 years~	
Financial liabilities at FVTPL	365,980	2,856	64,530	1,877	116,809		552,052
Deposits due to customers	110,179,135	23,846,554	17,005,409	30,637,932	7,137,817	4,073,163	192,880,010
Borrowings	8,200,116	2,789,746	686,701	1,498,409	3,905,808	605,249	17,686,029
Debentures	3,533,865	2,321,678	2,104,813	2,872,429	10,931,818	4,923,280	26,687,883
Other financial liabilities	8,214,891	23,563	4,269	3,637	18,824	3,042,910	11,308,094
Total	130,493,987	28,984,397	19,865,722	35,014,284	22,111,076	12,644,602	249,114,068

	December 31, 2015						Total
	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	5 years~	
Financial liabilities at FVTPL	730,495	408	54	11,850	161,537		904,344
Deposits due to customers	123,618,943	25,623,490	17,391,363	35,942,949	7,623,477	2,716,859	212,917,081
Borrowings	8,678,642	2,504,599	2,126,241	1,155,179	5,311,041	499,722	20,275,424
Debentures	3,055,973	1,143,005	747,870	2,027,915	12,197,268	4,584,002	23,756,033
Other financial liabilities	8,448,045	25,530	4,504	2,429	84,660	2,589,577	11,154,745
Total	144,532,098	29,297,032	20,270,032	39,140,322	25,377,983	10,390,160	269,007,627

- 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, 2014						Total
	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	5 years~	
Financial liabilities at FVTPL	365,980	2,856	64,530	1,877	116,809		552,052
Deposits due to customers	120,225,687	26,494,101	15,745,613	21,902,361	5,179,702	2,765,755	192,313,219
Borrowings	8,201,615	2,789,664	685,516	1,498,159	3,905,808	605,249	17,686,011
Debentures	3,533,865	2,321,678	2,104,813	2,872,429	10,931,818	4,923,280	26,687,883
Other financial liabilities	8,214,891	23,563	4,269	3,637	18,824	3,042,910	11,308,094
Total	140,542,038	31,631,862	18,604,741	26,278,463	20,152,961	11,337,194	248,547,259

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

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

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

	1 to					Total
	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	5 years~	
December 31, 2014	2,138,589	602	407	170	87	2,139,855
December 31, 2015	2,580,827					2,580,827

4) Maturity analysis of off-balance accounts

The Group provides guarantees on behalf of customers. A financial guarantee represents an irrevocable undertaking that the Group will meet a customer's obligations to third parties if the customer fails to do so. Under a loan commitment, the Group agrees to make funds available to a customer in the future. Loan commitments which are usually for a specified term may be unconditionally cancellable or may persist, provided all conditions in the loan facility are satisfied or waived. Commitments to lend include commercial standby facilities and credit lines, liquidity facilities to commercial paper conduits and utilized overdraft facilities. Guarantees and loan commitments like guarantees for debenture issuance and guarantees for loans which are financial guarantee provided by the Group have expiration dates. However, under the terms of the guarantees and loan commitments, amounts are funded upon demand by the counterparty. Details of off-balance accounts are as follows (Unit: Korea Won in millions):

	December 31, 2014	December 31, 2015
Guarantees	18,027,919	17,315,443
Loan commitments	89,637,659	88,211,580

Although not included in the maturity tables above, these off-balance sheet transactions may be drawn down within three months which is the earliest date loan commitments can be drawn down or guarantees would be called.

(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 Bank has been running the operational risk management system under Basel II. The Bank developed advanced measurement approached to quantify required capital for operational risk. This system is used for

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reinforcement in foreign competitions, reducing the amount of risk capitals, managing the risk, and precaution for any unexpected occasions. This system has been tested by the independent third party, and this system approved by the Financial Supervisory Service.

2) Operational risk measurement

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

(5) Capital management

The Group complies with the capital adequacy standard established by the Financial Services Commission. The capital adequacy standard is based on Basel III published by Basel Committee on Banking Supervision in Bank of International Settlements in 2010, and was implemented in Korea, and required from 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 Bank and its subsidiaries.

According to the above regulations, the Group is required to meet the following new minimum requirements: 4.5% Common Equity Tier 1 ratio, 6.0% Tier 1 capital ratio, and 8.0% total capital ratio as of December 31, 2014 and 2015. The details are as following (Unit: Korean won in millions):

	December 31, 2014
Tier 1 capital	13,111,803
Other Tier 1 capital	2,534,622
Tier 2 capital	5,211,287
Total risk-adjusted capital	20,857,712
Risk-weighted assets for credit risk	135,697,864
Risk-weighted assets for market risk	1,666,819
Risk-weighted assets for operational risk	8,958,341
Total risk-weighted assets	146,323,024
Common Equity Tier 1 ratio	8.96%
Tier 1 capital ratio	10.69%
Total capital ratio	14.25%

	December 31, 2015
Tier 1 capital	13,047,567
Other Tier 1 capital	3,016,309
Tier 2 capital	4,987,529
Total risk-adjusted capital	21,051,405
Risk-weighted assets for credit risk	142,127,112
Risk-weighted assets for market risk	2,595,566
Risk-weighted assets for operational risk	9,348,221
Total risk-weighted assets	154,070,899
Common Equity Tier 1 ratio ^(*)	8.47%
Tier 1 capital ratio ^(*)	10.43%
Total capital ratio ^(*)	13.66%

(*) The Group also uses the following internally to manage its capital risk; Provided the subsidiaries included in the scope of consolidation due to the merger with Woori Finance Holdings (i.e., Woori Card Co., Ltd., Woori Investment Bank Co., Ltd., Woori FIS Co., Ltd., Woori Private Equity Co., Ltd., and Woori Finance Research Institute Co., Ltd.) are ruled out, Common Equity Tier 1 ratio, Tier 1 capital ratio and Total capital ratio as of December 31, 2015 are adjusted to 9.50%, 11.68% and 15.15%, respectively.

Table of Contents**5. OPERATING SEGMENTS**

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

(1) Segment by types of customers

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

Additionally, the Group recognized its credit card operation as a separate operating segment during the year ended December 31, 2015. Therefore, the corresponding comparative information for the years ended December 31, 2013 and 2014 and as of December 31, 2014 were restated accordingly.

Consumer banking: Loans/deposits and financial services for consumer, etc.

Corporate banking: Loans/deposits and export/import, financial services for corporations, etc.

Investment banking: Domestic/foreign investment, structured finance, M&A, Equity & fund investment related business, venture advisory related tasks, real estate SOC development practices etc.

Capital market: Fund management, investment securities and derivatives business, etc.

Credit Card: Credit card, cash service and card loan, etc. ; and

Headquarter and others: Segments that are not belong to above operating segments

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

	December 31, 2014							Inter-	Total
	Consumer banking	Corporate banking	Investment banking	Capital market	Credit Card	Headquarter and Others	Sub-total	segment transaction	
Assets	83,582,893	96,644,808	6,411,016	6,076,739	5,732,039	76,683,360	275,130,855	(4,973,636)	270,157,219
Liabilities	47,625,472	145,999,344	136,603	4,957,708	4,542,735	46,740,752	250,002,614	2,061,180	252,063,794

	December 31, 2015							Inter-	Total
	Consumer banking	Corporate banking	Investment banking	Capital market	Credit Card	Headquarter and Others	Sub-total	segment	

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								transaction	
Assets	95,612,964	107,313,193	6,646,754	7,903,460	6,604,059	73,713,629	297,794,059	(5,934,987)	291,859,072
Liabilities	46,049,309	170,127,944	41,772	6,410,552	5,295,225	42,578,200	270,503,002	2,046,155	272,549,157

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

For the year ended December 31, 2013 (Restated)

	Consumer banking	Corporate banking	Investment banking	Capital market	Credit Card	Head- quarter and Others	Sub-total	Inter- segment transaction	Continuing operation ^(*)
Net Interest income	1,505,372	1,947,049	19,654	60,146	178,800	491,636	4,202,657	289,365	4,492,022
Interest income	3,233,552	3,832,238	256,860	82,649	272,015	1,653,376	9,330,690	162,693	9,493,383
Interest expense	(1,653,013)	(2,282,674)	(717)	(29,121)	(92,529)	(1,069,979)	(5,128,033)	126,672	(5,001,361)
Inter-segment	(75,167)	397,485	(236,489)	6,618	(686)	(91,761)			
Net non-interest income	415,665	443,767	67,883	(7,323)	13,572	514,020	1,447,584	(575,125)	872,459
Non-interest income	645,404	518,355	401,904	4,849,598	572,472	2,949,852	9,937,585	(100,430)	9,837,155
Non-interest expense	(244,085)	(100,033)	(334,021)	(4,856,921)	(558,900)	(2,396,041)	(8,490,001)	(474,695)	(8,964,696)
Inter-segment	14,346	25,445				(39,791)			
Other expense	(1,761,891)	(2,414,374)	(156,006)	(39,556)	(211,684)	(641,734)	(5,225,245)	100,331	(5,124,914)
Administrative expense	(1,643,064)	(831,660)	(17,458)	(21,744)	(88,059)	(497,591)	(3,099,576)	197,405	(2,902,171)
Impairment losses on credit loss and others	(118,827)	(1,582,714)	(138,548)	(17,812)	(123,625)	(144,143)	(2,125,669)	(97,074)	(2,222,743)
Operating income	159,146	(23,558)	(68,469)	13,267	(19,312)	363,922	424,996	(185,429)	239,567
Non-operating income	(14,340)	(10,787)	38,464	34,367	7,265	1,654,915	1,709,884	(1,661,784)	48,100
Net income before income tax expense	144,806	(34,345)	(30,005)	47,634	(12,047)	2,018,837	2,134,880	(1,847,213)	287,667
Income tax expense	(35,043)	8,311	7,261	(11,527)	(1,955)	(483,688)	(516,641)	481,545	(35,096)
Net income from continuing operations	109,763	(26,034)	(22,744)	36,107	(14,002)	1,535,149	1,618,239	(1,365,668)	252,571

For the year ended December 31, 2014 (Restated)

	Consumer banking	Corporate banking	Investment banking	Capital market	Credit Card	Head- quarter and Others	Sub-total	Inter- segment transaction	Continuing operation ^(*)
Net Interest income	1,392,354	1,741,700	1,178	28,884	287,350	548,238	3,999,704	493,314	4,493,018
Interest income	3,032,488	3,636,838	199,629	26,076	400,569	1,587,332	8,882,932	328,308	9,211,240
Interest expense	(1,591,087)	(2,191,770)	(23)	(100)	(113,219)	(987,029)	(4,883,228)	165,006	(4,718,222)
Inter-segment	(49,047)	296,632	(198,428)	2,908		(52,065)			
Net non-interest income	493,762	453,799	65,919	(8,059)	93,042	255,453	1,353,916	(941,404)	412,512
Non-interest income	724,288	438,879	348,363	3,969,660	769,235	2,182,334	8,432,759	(284,209)	8,148,550
Non-interest expense	(250,450)	(14,483)	(282,444)	(3,977,719)	(676,193)	(1,877,554)	(7,078,843)	(657,195)	(7,736,038)
Inter-segment	19,924	29,403				(49,327)			
Other expense	(1,759,431)	(1,522,783)	(175,002)	(10,273)	(246,943)	(553,185)	(4,267,617)	259,795	(4,007,822)
Administrative expense	(1,700,025)	(835,051)	(14,385)	(16,437)	(108,616)	(518,258)	(3,192,772)	233,853	(2,958,919)
Impairment losses on credit loss and others	(59,406)	(687,732)	(160,617)	6,164	(138,327)	(34,927)	(1,074,845)	25,942	(1,048,903)
Operating income	126,685	672,716	(107,905)	10,552	133,449	250,506	1,086,003	(188,295)	897,708
Non-operating income	(15,444)	(3,309)	39,967	(20,562)	(2,443)	1,588,360	1,586,569	(1,649,882)	(63,313)
Net income before income tax expense	111,241	669,407	(67,938)	(10,010)	131,006	1,838,866	2,672,572	(1,838,177)	834,395
Income tax expense	(26,920)	(153,867)	16,441	2,422	(28,135)	(98,136)	(288,195)		(288,195)
Net income from continuing operations	84,321	515,540	(51,497)	(7,588)	102,871	1,740,730	2,384,377	(1,838,177)	546,200

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For the year ended December 31, 2015

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

(*) The amounts exclude profit or loss from the subsidiaries that were reclassified into disposal group held for sale and disposal group held for distribution to owners for the years ended December 31, 2013 and 2014. (Notes 46 and 47)

(2) Information on products and services

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

(3) Information on geographical areas

Among the Group's revenue (interest income and non-interest income) from services, revenue from the domestic customers for the years ended December 31, 2013, 2014 and 2015 amounted to 18,466,386 million Won, 16,800,282 million Won and 18,974,359 million Won, respectively, and revenue from the foreign customers amounted to 864,152 million Won, 559,508 million Won and 1,113,556 million Won, respectively (excluding the profit and losses that are reclassified to the discontinued operations). Among the Group's non-current assets (investments in joint ventures and associates, investment properties, premises and equipment and intangible assets), non-current assets attributed to domestic subsidiaries as of December 31, 2014 and 2015 are 3,591,351 million Won and 3,666,276 million Won, respectively, and foreign subsidiaries are 211,465 million Won and 220,093 million Won, respectively.

Table of Contents**6. CASH AND CASH EQUIVALENTS**

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

	December 31, 2014	December 31, 2015
Cash	2,597,984	2,091,064
Foreign currencies	585,728	656,183
Demand deposits	2,017,798	3,286,747
Fixed deposits	761,351	610,061
Total	5,962,861	6,644,055

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

	For the years ended December 31	
	2014	2015
Changes in other comprehensive income on valuation of AFS financial assets	86,537	72,297
Changes in other comprehensive income(loss) of investment in associates	(2,974)	3,295
Changes in other comprehensive income of foreign currency translation of foreign operations	28,856	33,837
Changes in other comprehensive loss on remeasurement of the net defined benefit liability	(63,426)	(78,267)
Changes in investments in associates on equity swap and others	176,661	83,002
Changes in unpaid dividends of hybrid equity securities	7,547	3,562
Changes in payables due to intangible assets		125,446

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	December 31, 2014	December 31, 2015
Financial assets held for trading	4,536,918	5,120,062
Financial assets designated at FVTPL	17,262	12,595
Total	4,554,180	5,132,657

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

	December 31, 2014	December 31, 2015
Deposits:		
Deposits indexed to gold prices	13,816	24,884
Securities:		
Debt securities		
Korean treasury and government agencies	668,886	798,397
Financial institutions	927,121	1,175,303
Corporates	620,312	643,706

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Equity securities	99,988	62,945
Beneficiary certificates	48,291	14,017
CMA securities	32,300	
Loaned securities	14,737	10,313
Sub-total	2,411,635	2,704,681
Derivatives instruments assets	2,111,467	2,390,497
Total	4,536,918	5,120,062

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

	December 31, 2014	December 31, 2015
Equity-linked securities	6,066	
Debt securities		986
Equity securities	11,196	11,609
Total	17,262	12,595

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	Book value	December 31, 2014		Fair value
		Unrealized gains	Unrealized losses	
Debt securities:				
Korean treasury and government agencies	3,138,741	32,963	(124)	3,171,580
Financial institutions	6,697,347	34,471	(357)	6,731,461
Corporates	2,762,728	64,522		2,827,250
Asset-backed securities	171,313		(13,572)	157,741
Bond denominated in foreign currencies	365,661		(66,761)	298,900
Sub-total	13,135,790	131,956	(80,814)	13,186,932
Equity securities	1,115,728	432,068	(126,422)	1,421,374
Beneficiary certificates	3,431,922	20,689		3,452,611
Loaned securities	684,126	1,982	(12)	686,096
Others	46,524	17,308		63,832
Total	18,414,090	604,003	(207,248)	18,810,845

	Book value	December 31, 2015		Fair value
		Unrealized gains	Unrealized losses	
Debt securities:				
Korean treasury and government agencies	3,529,997	28,880	(88)	3,558,789
Financial institutions	5,598,416	27,473	(64)	5,625,825
Corporates	3,809,370	79,303	(692)	3,887,981
Asset-backed securities	260,198		(1,541)	258,657
Bond denominated in foreign currencies	649,983	790	(12,853)	637,920
Sub-total	13,847,964	136,446	(15,238)	13,969,172
Equity securities	967,911	376,079	(6,283)	1,337,707
Beneficiary certificates	1,119,497	23,148	(24,617)	1,118,028
Loaned securities	717,525	2,488	(3)	720,010
Others	16,988	8,687		25,675
Total	16,669,885	546,848	(46,141)	17,170,592

Table of Contents**9. HELD-TO-MATURITY FINANCIAL ASSETS**

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

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

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

10. LOANS AND RECEIVABLES

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

	December 31, 2014	December 31, 2015
Due from banks	11,100,572	11,174,806
Loans	204,818,820	225,547,768
Other receivables	7,450,743	8,119,488
Total	223,370,135	244,842,062

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

	December 31, 2014	December 31, 2015
Due from banks in local currency:		
Due from the Bank of Korea	9,120,180	6,885,516
Due from depository banks	1,000	300,500
Due from non-depository	277,337	12,197
Due from the Korea Exchange	1,580	1,868
Others	182,750	34,525

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Allowance for credit losses	(2,305)	(2,063)
Sub-total	9,580,542	7,232,543
Due from banks in foreign currencies:		
Due from banks on demand	312,022	1,945,918
Due from banks on time	712,972	1,178,081
Others	497,454	822,888
Allowance for credit losses	(2,418)	(4,624)
Sub-total	1,520,030	3,942,263
Total	11,100,572	11,174,806

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

Financial institution	Counterparty	December 31, 2014	Reason of restriction
Due from banks in local currency:			
Due from the Bank of Korea	The Bank of Korea	9,120,180	Reserve deposits under BOK Act
Others	NH Investment & Securities Co., Ltd. and others	182,750	Treasury stock trust contracts and others
		9,302,930	
Due from banks in foreign currencies:			
Due from banks on demand			Reserve deposits under BOK Act and others
	The Bank of Korea and others	296,447	
Others	The Central Bank of China and others	469,974	Reserve deposits and others
		766,421	
		10,069,351	

Financial institution	Counterparty	December 31, 2015	Reason of restriction
Due from banks in local currency:			
Due from the Bank of Korea	The Bank of Korea	6,885,516	Reserve deposits under BOK Act
Others	Saamsung Securities Co., Ltd. and others	34,525	Reserve deposits of the futures, options and others
		6,920,041	
Due from banks in foreign currencies:			
Due from banks on demand			Reserve deposits under BOK Act and others
	The Bank of Korea and others	1,944,976	
Others	The Central Bank of China and others	811,168	Reserve deposits and others
		2,756,144	
		9,676,185	

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

	December 31, 2014	December 31, 2015
Loans in local currency	167,261,592	185,154,851
Loans in foreign currencies	11,281,016	13,104,820
Domestic banker's letter of credit	5,712,049	4,805,433
Credit card accounts	5,113,684	6,099,219
Bills bought in foreign currencies	5,552,421	6,647,918
Bills bought in local currency	258,707	134,645
Factoring receivables	92,205	149,688
Advances for customers on guarantees	52,619	44,242
Privately placed bonds	346,284	330,889
Loans to be converted to equity securities	498	
Securitized loans	295,506	309,990
Call loans	4,174,735	2,758,156
Bonds purchased under resale agreements	6,891,629	7,583,743
Loan origination costs and fees	367,898	435,005
Others	44,378	45,622
Present value discount	(16,913)	(4,985)
Allowance for credit losses	(2,609,488)	(2,051,468)
Total	204,818,820	225,547,768

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

	December 31, 2014	December 31, 2015
CMA accounts	186,000	213,000
Receivables	4,662,557	5,648,159
Accrued income	885,141	971,179
Telex and telephone subscription rights and refundable deposits	1,075,068	1,056,309
Other debtors	981,672	650,743
Allowance for credit losses	(339,695)	(419,902)
Total	7,450,743	8,119,488

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

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

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

	For the year ended December 31, 2015				
	Consumers	Corporates	Credit card	Others	Total
Beginning balance	(326,435)	(2,128,090)	(129,117)	(370,264)	(2,953,906)
Net provision	(103,166)	(744,416)	(180,563)	(83,994)	(1,112,139)
Recoveries of written-off loans	(29,219)	(198,089)	(34,207)		(261,515)
Charge-off	240,541	1,139,102	198,077	592	1,578,312
Sales of loans and receivables	2,518	138,055		866	141,439
Unwinding effect	12,514	99,854			112,368
Others	(186)	7,390		10,180	17,384
Ending balance	(203,433)	(1,686,194)	(145,810)	(442,620)	(2,478,057)

(*) The item incorporates the provisions from both of continued and discontinued operations. Refer to Note 39 for disclosure of provision recognized in continuing operations.

11. THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**(1) The fair value hierarchy**

The fair value hierarchy is determined by the levels of judgment involved in estimating fair values of financial assets and liabilities. The specific financial instruments characteristics and respective market condition such as volume of transactions and transparency of transactions between market participants are considered when determining the classification of the inputs used in the valuations. 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 information is not readily available, the Group's own assumptions reflect those the Group believes a market participants would use for measuring those specific 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 and debt securities and derivatives.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). The types of financial assets or liabilities generally included in Level 2 are debt securities not traded in active markets and derivatives traded in OTC of which valuation techniques do not require significant judgment.

Level 3 fair value measurements are those derived from valuation techniques that include significant inputs for the asset or liability that are not based on observable market data (unobservable inputs). The

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types of financial assets or liabilities generally included in Level 3 are non-publicly traded securities and derivatives and debt securities of which valuation techniques require significant judgments and subjectivity.

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

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

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

Total	19,746	2,251,904	403,704	2,675,354
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	December 31, 2015			Total
	Level 1 ^(*1)	Level 2 ^(*1)	Level 3 ^(*2)	
Financial assets:				
Financial assets held for trading				
Deposits	24,884			24,884
Debt securities	689,600	1,927,806		2,617,406
Equity securities	62,945			62,945
Beneficiary certificates		14,017		14,017
Loaned securities	10,313			10,313
Derivative instrument assets	419	2,311,402	78,676	2,390,497
Sub-total	788,161	4,253,225	78,676	5,120,062
Financial assets designed at FVTPL				
Debt securities			986	986
Equity securities			11,609	11,609
Sub-total			12,595	12,595
AFS financial assets				
Debt securities	2,235,229	11,733,943		13,969,172
Equity securities	344,339		993,368	1,337,707
Beneficiary certificates		740,958	377,070	1,118,028
Loaned securities	615,570	104,440		720,010
Others		20,367	5,308	25,675
Sub-total	3,195,138	12,599,708	1,375,746	17,170,592
Derivative assets		177,155	5,973	183,128
Total	3,983,299	17,030,088	1,472,990	22,486,377
Financial liabilities:				
Financial liabilities held for trading				
Deposits	24,872			24,872
Derivative liabilities	136,845	2,365,375	78,607	2,580,827
Sub-total	161,717	2,365,375	78,607	2,605,699
Financial liabilities designated at FVTPL				
Equity-linked securities		10,660	747,351	758,011
Debentures		96,851		96,851
Sub-total		107,511	747,351	854,862
Total	161,717	2,472,886	825,958	3,460,561

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

(*2) Certain AFS unquoted equity securities measured at cost as of December 31, 2014 and 2015, are 41,022 million Won and 42,451 million Won, respectively. These unquoted equity instruments mostly represent minority investments in special purposed entity vehicles such as asset securitization structures. They are measured at cost due to the various factors including (a) that observable inputs of financial information to measure fair value were not available to obtain, (b) that variances between estimated cash flows are significant, and (c)

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that it is not likely to measure the probabilities of the various estimated cash flows in a reliable manner. In addition, there are no indicators of impairments in these investments, and the Group has no intention to dispose these investments in the foreseeable future. During the year, the Group disposed of certain financial assets which were carried at cost because they did not have quoted market prices in an active market and could not be reliably measured at fair value. The carrying amount and gain from disposal of these financial assets amounted to 414 million Won and 146 million Won for the year ended December 31, 2015, respectively.

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

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

	Fair value measurement methods	Alternative assumptions
Debt securities	The fair value is measured by discounting the projected cash flows of debt securities by applying the market discount rate that has been applied to a proxy company that has similar credit rating to the issuers of the securities	Risk-free market rate, credit spread
Equity securities	Among DCF (Discounted Cash Flow) Model, FCFE (Free Cash Flow to Equity) Model, Comparable Company Analysis, Dividend Discount Model, Risk-adjusted Rate of Return Method, and Net Asset Value Method, more than one method is used given the characteristic of the subject of fair value measurement.	Risk-free market rate, Market Risk Premium, Beta
Derivatives Product	<p>The in-house developed model which is based on the models that are used by market participants in the valuation of general OTC derivative products, such as options, interest rate swaps, and currency swap that are based on inputs observable in the market.</p> <p>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.</p>	Risk-free market rate, Forward Rate, Volatility, Foreign Exchange Rate, Stock Prices, etc.
Financial Instruments linked to stock prices or derivatives	The fair value of security linked to stock prices or derivatives is measured by the models such as DCF model, FDM, or Monte Carlo Simulation given the natures of the securities or underlying assets.	Values of underlying assets, Risk-free market rate, Market rate, Dividend and convenience yield, Correlation, Volatility, Credit spread, and Foreign Exchange rate

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	Fair value measurement methods	Alternative assumptions
Debenture	The fair value is measured by discounting the projected cash flows of a debenture by applying the market discount rate that is reflecting credit rating of the Group.	Risk-free market rate, Forward rate

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

	Fair value measurement			Impact of changes in significant unobservable inputs on fair value measurement
	technique	Input variable	Range	
Derivative assets	Option valuation model and others	Correlation	0.315~0.938	Volatility of fair value increases as correlation increases
		Historical variability	19.10%~45.96%	Volatility of fair value increases as historical variability increase
		Credit risk adjustment ratio	99.23%	Fair value decreases as credit risk adjustment ratio increases
Derivative liabilities	Option valuation model and others	Correlation	0.315~0.938	Volatility of fair value increases as correlation increase
		Historical variability	19.10%~45.96%	Volatility of fair value increase due to historical variability increase
Equity-linked securities	Monte Carlo Simulation and others	Correlation	0.036~0.739	Compound financial instrument's fair value increases as both of historical variability and correlation increase when correlation decreases, however, despite of increase of historical variability, the fair value of compound financial instrument may decrease
		Historical variability	13.70%~51.01%	
Equity securities	External appraisal value and others	Expected growth rate	0%~1%	Fair value increases as expected growth rate increases

securities

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

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

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

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	For the year ended December 31, 2014							
	January 1, 2014	Net Income (loss) ^{(*)1}	Other comprehensive income (loss)	Purchases/ Issuances	Disposals/ Settlements	Transfer to or from level 3 ^{(*)5}	Decrease due to the spin-off or disposals	December 31, 2014
Financial assets:								
Financial assets held for trading								
Derivatives instruments								
assets	307,782	41,776		1,244	(108,345)		(193,183)	49,274
Others	6,185	(724)			(4,433)		(1,028)	
Sub-total	313,967	41,052		1,244	(112,778)		(194,211)	49,274
Financial assets designed at FVTPL								
Equity-linked securities	408,120	(337)		324,205	(82,468)		(643,454)	6,066
Debt securities	2,676	26			(2,702)			
Equity securities	10,579	(12)						10,567
Sub-total	421,375	(323)		324,205	(85,170)		(643,454)	16,633
AFS financial assets								
Debt securities ^{(*)2}	9,050	(6,048)				1,825	(4,827)	
Equity securities ^{(*)3}	1,843,889	(137,631)	6,063	106,654	(114,450)	(551)	(672,056)	1,031,918
Beneficiary certificates ^{(*)2}	562,941	16,033	3,164	41,214	(66,126)	(1,935)	(199,597)	355,694
Others ^{(*)2}	102,914	(2,439)	(1,134)	12,898		(70,000)	(27,998)	14,241
Sub-total	2,518,794	(130,085)	8,093	160,766	(180,576)	(70,661)	(904,478)	1,401,853
Derivative assets	14,608	3,497			(6,159)			11,946
Total	3,268,744	(85,859)	8,093	486,215	(384,683)	(70,661)	(1,742,143)	1,479,706
Financial liabilities:								
Financial liabilities held for trading								
Derivative liabilities	253,419	6,783	4,050	4,596	(43,250)		(183,887)	41,711
Financial liabilities designated at FVTPL								
Equity-linked securities ^{(*)4}	5,587,261	19,031		2,205,033	(815,356)	(88,044)	(6,545,932)	361,993
Total	5,840,680	25,814	4,050	2,209,629	(858,606)	(88,044)	(6,729,819)	403,704

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	For the year ended December 31, 2015						December 31, 2015
	January 1, 2014	Net Income (loss) ^(*1)	Other comprehensive income (loss)	Purchases/ Issuances	Disposals/ Settlements	Transfer to or from level 3 ^(*5)	
Financial assets:							
Financial assets held for trading							
Derivative instrument assets ^(*8)	49,274	71,703		(8,166)	(33,156)	(979)	78,676
Sub-total	49,274	71,703		(8,166)	(33,156)	(979)	78,676
Financial assets designed at FVTPL							
Equity-linked securities	6,066				(6,066)		
Debt securities		(14)		1,000			986
Equity securities	10,567	1,042					11,609
Sub-total	16,633	1,028		1,000	(6,066)		12,595
AFS financial assets							
Equity securities ^(*3)	1,031,918	(57,373)	105,290	105,930	(100,018)	(92,379)	993,368
Beneficiary certificates	355,694	3,905	(24,846)	121,613	(79,296)		377,070
Others	14,241	(7,064)	1,370		(3,239)		5,308
Sub-total	1,401,853	(60,532)	81,814	227,543	(182,553)	(92,379)	1,375,746
Derivative assets	11,946	7,375			(13,348)		5,973
Total	1,479,706	19,574	81,814	220,377	(235,123)	(93,358)	1,472,990
Financial liabilities:							
Financial liabilities held for trading							
Derivative liabilities ^(*8)	41,711	58,565		4,008	(24,475)	(1,202)	78,607
Financial liabilities designated at FVTPL							
Equity-linked securities ^(*4)	361,993	(73,533)		764,005	(304,917)	(197)	747,351
Total	403,704	(14,968)		768,013	(329,392)	(1,399)	825,958

(*1) From financial assets and liabilities classified as Level 3 that the Group holds as at the end of the year, losses of 117,855 million Won, 172,484 million Won and 2,854 million Won for the year ended December 31 2013, 2014 and 2015, respectively, were recognized in net gain (loss) on financial instruments at FVTPL and net gain (loss) on AFS financial assets in the comprehensive income statements.

(*2) AFS financial assets were transferred between Level 2 and Level 3 depending upon the changes in the degree of subjectivity and uncertainty used to measure fair values, such as quoted price in inactive market or values from external valuation specialists, of the AFS financial assets.

(*3) AFS financial assets were transferred out of Level 3 to Level 1 as the fair value measurement were changed from the value from external valuation specialists to the value from quoted price during the period.

(*4) Since the observable market data for equity-linked securities was available, such securities were transferred out of Level 3 into Level 2.

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

(*6) As the variables used for the valuation of interest rate and equity related derivatives were not observable in the market, such derivatives were transferred into Level 3 from Level 2. In the case of currency related derivatives, the variables which were unobservable in the market significantly impacted the valuation of such derivatives. As such, the derivatives were transferred into Level 3 from Level 2.

(*7) Items include financial assets and liabilities, which was reclassified into disposal group held for sale and disposal groups held for distribution to owners, of 1,662,501 million Won and of 5,600,440 million Won, respectively, as at the end of 2013.

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- (*8) As the variables used for the valuation of interest rate and equity related derivatives became observable in the market, such derivatives were transferred out of Level 3 to Level 2.

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

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

The following table shows the sensitivity analysis to disclose the effect of reasonably possible alternative assumptions on the fair value of a level 3 financial instruments for the years ended December 31, 2013, 2014 and 2015. (Unit: Korean Won in millions):

	For the year ended December 31, 2013			
	Net income (loss)		Other comprehensive income (loss)	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets:				
Financial assets held for trading				
Derivatives instruments assets ^{(*1)(*2)}	33,867	(45,614)		
Financial assets designed at FVTPL				
Equity-linked securities ^(*1)	1,672	(321)		
AFS Financial Assets				
Equity securities ^{(*3)(*4)}			150,607	(60,481)
Beneficiary certificates ^(*4)			5,851	(5,642)
Others ^(*5)			1,296	(647)
Total	35,539	(45,935)	157,754	(66,770)
Financial liabilities:				
Financial liabilities held for trading				
Derivative liabilities ^{(*1)(*2)}	32,097	(36,434)		
Financial liabilities designated at FVTPL				
Equity-linked securities ^(*1)	55,764	(34,133)		
Total	87,861	(70,567)		

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	For the year ended December 31, 2014			
	Net income (loss)		Other comprehensive income (loss)	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets:				
Financial assets held for trading				
Derivatives instruments assets ^{(*1)(*2)}	14,093	(6,471)		
AFS Financial Assets				
Equity securities ^{(*3)(*4)}			80,085	(39,055)
Beneficiary certificates ^(*4)			3,430	(3,243)
Others ^(*5)			6,823	(2,858)
Total	14,093	(6,471)	90,338	(45,156)
Financial liabilities:				
Financial liabilities held for trading				
Derivative liabilities ^{(*1)(*2)}	7,939	(7,722)		
Financial liabilities designated at FVTPL				
Equity-linked securities ^(*1)	1,497	(1,483)		
Total	9,436	(9,205)		

	For the year ended December 31, 2015			
	Net income (loss)		Other comprehensive income (loss)	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets:				
Financial assets held for trading				
Derivatives instruments assets ^{(*1)(*2)}	10,674	(9,729)		
Financial assets designed at FVTPL				
Equity securities ^(*6)	793	(739)		
AFS Financial Assets				
Equity securities ^{(*3)(*4)}			37,648	(20,869)
Beneficiary certificates ^(*4)			4,102	(3,875)
Others ^(*5)			80	(80)
Total	11,467	(10,468)	41,830	(24,824)
Financial liabilities:				
Financial liabilities held for trading				
Derivative liabilities ^{(*1)(*2)}	13,469	(12,281)		
Financial liabilities designated at FVTPL				
Equity-linked securities ^(*1)	2,289	(2,247)		
Total	15,758	(14,528)		

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

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

(*3)

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

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- (*4) Among the equity securities, whereas the sensitivity analysis of the capital contributions and beneficiary certificates is not possible in practice, fair value changes of beneficiary certificates and other securities whose major unobservable variables are composed of the real estate are calculated by increasing or decreasing price fluctuation of real estate which is underlying assets and discount rate by 1%.
- (*5) Fair value changes of other securities are calculated by increasing or decreasing price fluctuation of trust property or real estate which is underlying assets and discount rate by 1%. The prices of trust property and real estates and discount rate are major unobservable variables.
- (*6) Fair value changes 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):

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

	As of December 31, 2015				Book value
	Fair value			Total	
	Level 1	Level 2	Level 3		
Financial assets:					
Held-to-maturity financial assets	1,045,022	12,768,727		13,813,749	13,621,640
Loans and receivables			248,253,422	248,253,422	244,842,062
Financial liabilities:					
Deposits due to customers		208,133,241		208,133,241	209,141,826
Borrowings		20,084,789		20,084,789	20,033,917
Debentures		22,288,472		22,288,472	21,898,859
Other financial liabilities		16,961,987		16,961,987	16,964,206

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

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

12. DERECOGNITION AND OFFSET OF FINANCIAL INSTRUMENTS

(1) Derecognition of financial assets

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

Classification	As of December 31		2014		For the year ended December 31		
	Carrying amount of Continuing involvement		Fair value amount of Continuing involvement		Maximum exposure to loss	Gain(loss) recognized in the year	Accumulated Gain(loss) recognized
	Asset	Liability	Asset	Liability			
KAMCO tenth Asset Securitization Specialty (KAMCO specialty)						498	498
Conditional disposal of loans to KAMCO ^(*)					709		
	Loan & Receivables						
	Off-balance item						

Classification	As of December 31		2015		For the year ended December 31		
	Carrying amount of Continuing involvement		Fair value amount of Continuing involvement		Maximum exposure to loss	Gain(loss) recognized in the year	Accumulated Gain(loss) recognized
	Asset	Liability	Asset	Liability			
Conditional disposal of loans to KAMCO ^(*)					701		
	Off-balance item						

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(*) KAMCO is still in the process of collecting cash flows related to the transferred assets and the maximum exposure to loss represents the carrying amounts of the assets at the date when they were transferred to KAMCO. Under previous K-GAAP, the Group derecognized the transferred assets although the Group retains and continues to retain substantially all such risks and rewards and according to the transition exemptions in IFRS 1 *First-time adoption of International Financial Reporting Standard*, the Group did not reassess the derecognition criteria for these transfers.

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

a) Disposal of securities under repurchase agreement

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

		December 31, 2014	December 31, 2015
Assets for transfer	Financial assets at FVTPL	9,851	
	AFS financial assets	926,796	603,274
	HTM financial assets	660,212	139,340
	Total	1,596,859	742,614
Related liabilities	Bonds sold under repurchase agreements	1,196,237	671,629

b) Loaned securities

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

		December 31, 2014	December 31, 2015	
Financial assets at FVTPL	Equity securities- listed stock	14,737	10,313	Loaned to Samsung Securities Co., Ltd. and others
AFS financial assets	Korean treasury and government agencies bonds	686,096	720,010	Korea Securities Depository and others
	Total	700,833	730,323	

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

(2) The offset with financial assets and liabilities

The Group has both receivables and payables related to the Korean exchange markets that meet the offsetting criteria under IAS 32 and therefore the net amount of uncollected Korean exchange receivables (or unpaid Korean exchange payables) is included in loan and receivables (or other financial liabilities) on the consolidated statement of financial position.

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The Group has the right to offset certain derivatives assets and liabilities (including corresponding cash collateral placed or received) as well as certain spot foreign exchange receivables in case of default, insolvency or bankruptcy by one of the counterparties. These agreements do not qualify for offsetting on the Group's balance sheet under IAS 32.

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The Group has entered into a sale under repurchase agreements and accounted it as collateralized borrowing. Also, the Group has entered into a purchase under resale agreement and accounted it as secured loans. The repurchase and resale agreement can have the offsetting right only under the trading party's default, insolvency, or bankruptcy which do not satisfy the offsetting criteria of IAS 32, the Group recorded the collateralized borrowings in borrowings and the secured loans in loans and receivables. The Group under the repurchase agreements has offsetting right only upon the counter-party's default, insolvency or bankruptcy, thus the repurchase agreements are applied by the TBMA/ISMA Global Master Repurchase Agreement of which do not satisfy the offsetting criteria of IAS 32. The Group disclosed bonds sold (purchased) under repurchase agreements as borrowings (loans and receivables).

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

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off	December 31, 2014			
			Net amounts of financial assets presented	Related amounts not set off in the statement of financial position		Net amounts
				Financial instruments	Cash collateral received	
Financial assets:						
Derivative assets and others ^(*1)	2,316,295	16,228	2,300,067	5,413,119	37,142	469,574
Receivable spot exchange ^(*2)	3,619,768		3,619,768			
Bonds purchased under resale agreements ^(*2)	6,891,629		6,891,629	6,891,629		
Domestic exchanges receivable ^{(*2)(*5)}	28,094,142	27,310,235	783,907			783,907
Total	40,921,834	27,326,463	13,595,371	12,304,748	37,142	1,253,481

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off	December 31, 2014			
			Net amounts of financial liabilities presented	Related amounts not set off in the statement of financial position		Net amounts
				Financial instruments	Cash collateral pledged	
Financial liabilities:						
Derivative liabilities and others ^(*1)	2,478,924	16,228	2,462,696	5,396,870	41,229	640,766
Payable spot exchange ^(*3)	3,616,169		3,616,169			
Bonds sold under repurchase agreements ^(*4)	1,196,237		1,196,237	1,196,237		
Domestic exchanges payable ^{(*3)(*5)}	30,636,705	27,310,235	3,326,470	3,147,053		179,417
Total	37,928,035	27,326,463	10,601,572	9,740,160	41,229	820,183

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

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

(*1) Others Include derivatives held for trading, derivatives for hedging and equity linked securities related to derivatives.

(*2) Items are included in loans and receivables.

(*3) Items are included in other financial liabilities.

(*4) Items are included in borrowings.

(*5) Certain financial assets and liabilities are presented as offset.

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

Investors and investees	Main business	Percentage of ownership (%)		Year End
		December 31, 2014	December 31, 2015	
Woori Bank and Woori Private Equity Company Ltd.:				
Woori Blackstone Korea				
Opportunity Private Equity Fund I	Finance	26.4	26.4	December 31
Woori Bank:				
Kumho Tire Co., Inc. ^(*) ^(*) ^(*)	Manufacturing	14.2	14.2	December 31
Woori Service Networks Co., Ltd. ^(*) ^(*)	Freight & staffing services	4.9	4.9	November 30 ^(*)
Korea Credit Bureau Co., Ltd. ^(*) ^(*)	Credit information	7.2	9.9	December 31
Korea Finance Security Co., Ltd. ^(*) ^(*) ^(*)	Security service	15.3	15.0	November 30 ^(*)
United PF 1st Corporate Financial Stability ^(*)	Finance	17.7	17.7	December 31
Chin Hung International Inc. ^(*) ^(*) ^(*)	Construction	26.8	28.4	November 30 ^(*)
Poonglim Industrial Co., Ltd. ^(*)		30.7	30.7	September 30 ^(*)
Ansang Tech Co., Ltd. ^(*)	Manufacturing	23.0		
STX Engine Co., Ltd. ^(*) ^(*) ^(*) ^(*)		15.0	29.2	September 30 ^(*)
Samho International Co., Ltd. ^(*) ^(*)	Construction	7.8	7.8	December 31
Force TEC Co., Ltd. ^(*)	Freight & staffing services	34.4	34.4	
Hana Construction Co., Ltd. ^(*)	Construction	22.4	22.4	
STX Corporation ^(*) ^(*) ^(*)	Wholesale of non-Specialized Goods	15.0	15.0	September 30 ^(*)
Osung LST Co., Ltd. ^(*) ^(*) ^(*)	Manufacturing	11.1	11.1	September 30 ^(*)
Saman Corporation ^(*) ^(*)	General Construction			
	Technology Service		9.2	December 31
Dongwoo C & C Co., Ltd. ^(*) ^(*)	Construction		23.2	
SJCO Co.,Ltd. ^(*) ^(*)	Aggregate transportation and Wholesale		26.5	
Ilyang construction Co., Ltd. ^(*) ^(*)	Construction		40.0	
G2 Collection Co.,Ltd. ^(*) ^(*)	Wholesale and retail sales		28.9	
Woori Private Equity Fund:				
Phoenix Digital Tech Co., Ltd. ^(*)	Semiconductor equipment	44.8		
Woori Renaissance Holdings ^(*)	Other financial business	51.6	51.6	December 31
Woori Private Equity Company Ltd.:				
Woori Columbus First PEF ^(*)	Other financial business	1.9	1.9	December 31

(*1) The Group has significant influence on these entities through its position in the creditors' council which is the decision making body regarding to financial and operational policies of associates.

(*2) The investments in associates that have quoted market prices are Kumho Tire Co., Ltd. (current period: KRW 6,730, previous year: KRW 9,670), Chin Hung International Inc. (current period: KRW 2,300, previous year: KRW 1,665), STX Engine Co., Ltd. (current period: KRW 6,800), Samho International Co., Ltd. (current period: KRW 15,550, previous year: KRW 13,150), STX Corporation. (current period: KRW 3,435), and Osung LST Co., Ltd. (current period: KRW 795, previous year: KRW 1,215).

(*3) The significant transactions and events between the end of reporting dates of the investees and the investors have been properly adjusted.

(*4) The significant business of Woori Service Network Co., Ltd. and Korea Finance Security Co., Ltd. is transacted mostly with the Group.

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- (*5) The Group can participate in decision-making body and exercise significant influence over Korea Credit Bureau Co., Ltd. and the United PF 1st Corporate Financial Stability through business partnerships.
- (*6) Due to debt-equity swap occurred during the year ended December 31, 2015 the ownership interest of Chin Hung International Inc. has increased.
- (*7) As the Group acquired the shares of Korea Credit Bureau Co., Ltd. additionally for the year ended December 31, 2015, the ownership interest of it has increased.
- (*8) As the Group sold shares of Ansang Tech Co., Ltd. during the year ended December 31, 2015, it was excluded from the associates.
- (*9) Due to debt-equity swap and conversion of convertible bonds occurred during the year ended December 31, 2015 the ownership interest of STX Engine Co., Ltd. increased.
- (*10) The carrying value of investments in Force TEC Co., Ltd. and Hana Construction Co., Ltd., Dongwoo C & C Co., Ltd., SJCO Co., Ltd., Ilyang Construction Co., Ltd. and G2 collection Co., Ltd. is nil as of December 31, 2014 and 2015, respectively.
- (*11) The Group owns over 50% ownership of Woori Renaissance Holdings. However, the investment in this entity was accounted for using equity method as the ownership and related contracts meet the definition of joint arrangement under IFRS 11 Joint Arrangements.
- (*12) As a general partner of Woori Columbus First PEF, the Group has significant influence over the entity's operational and financial policy making process, including participating in dividend or other distribution. As such, the investment in this entity was accounted for using equity method
- (*13) As the Group sold shares of Phoenix Digital Tech Co., Ltd during the year ended December 31, 2015, it was excluded from the associates.
- (*14) As the Group sold shares of Korea Finance Security Co., Ltd. during the year ended December 31, 2015, the ownership interest of the Group has fallen.
- (*15) Due to debt-equity swap occurred during the year ended December 31, 2015; it is included in the associates.
- (*16) During the year ended December 31, 2014, even though the Group's ownership ratio of the entity was more than 20%, it did not have significant influence over the entity due to the fact that the entity was going through workout process under receivership, thus it was excluded from the investment in associates. However, as the workout was over during the year ended December 31, 2015, it was included in the investment in associates.

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- (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, 2013							Classification of assets as held for sales / distribute to owners	December 31, 2013
	Acquisition cost	January 1, 2013	Share of profits (losses) ^{(*)4}	Acquisition	Disposal and others	Dividends	Change in capital		
Woori Aviva Life Insurance Co., Ltd.	110,098	122,406	427				(12,438)	(110,395)	
Woori Blackstone Korea Opportunity First	210,394	207,036	12,293		(47,664)	(12,868)		(18)	93,714
Korea Credit Bureau	3,115	3,931	316					(900)	3,347
DKT Co., Ltd.	50,000		(1,739)	50,000			2,280	(30,371)	20,170
KAMCO Fifth Asset Securitization Specialty	12,590	16,579	(4,055)					11	3,827
Phoenix Digital Tech Co., Ltd.	1,872	1,859	(3,477)				5,306	(8,708)	3,688
Korea Finance Security Co., Ltd.	3,337	4,244	122			(55)			4,311
Woori Service Networks Co., Ltd.	108	129	14			(7)			136
Kumho Tire Co., Inc.	113,204	156,028	20,380		(29,377)		(2,330)	(4,600)	140,101
United PF 1st Corporate financial stability	191,617	201,364	2,366						203,730
Chin Hung International Inc.	60,275	56,223	(10,156)				919	(1,086)	45,900
Poonglim Industrial Co., Ltd.	14,476	14,476	(16,680)		(553)		1	5,835	3,079
STX Engine Co.,Ltd.				47,008					47,008
SamHo Co.,Ltd.				7,492					7,492
Force TEC Co., Ltd.				34					34
Woori New Alpha Fund	20,370		(426)	20,370					(19,944)
Woori SB Eleventh Asset Securitization Specialty	2,026	787	(31)						(756)
Woori SB Twelfth Asset Securitization Specialty	3,077	2,030	(42)						(1,988)
Woori BC Pegasus Asset Securitization Specialty ^{(*)1}	2,908		1,426					(1,426)	
Woori Stream Fourth Asset Securitization Specialty	1,250	787	627					(800)	(614)
Woori EA First Asset Securitization Specialty ^{(*)1}	400		315			(60)		(255)	
Woori EA Second Asset Securitization Specialty ^{(*)1}	400		(265)					265	
Woori EA Sixth Asset Securitization Specialty ^{(*)1}	400		(968)					968	
Woori EA Seventh Asset Securitization Specialty	1,611	2,324	(49)			(432)			(1,843)
Woori EA Ninth Asset Securitization Specialty	400	1,383	581			(841)			(1,123)
Woori EA Eleventh Asset Securitization Specialty	9,905	14,170	10			(1,830)			(12,350)
Woori EA Sixteenth Asset Securitization Specialty	5,400	4,902	(2,599)						(2,303)
Woori EA Seventeenth Asset Securitization Specialty	4,950	4,583	(4,298)						(285)
WR Loan Inc.	5	31	9						(40)
KAMCO Sixth Asset Securitization Specialty	1,448	6,499	(102)		(3,865)	(1,363)	(6)		(1,163)
KAMCO Seventh Asset Securitization Specialty	390	198	(14)						(184)
Woori Fine First Asset Securitization Specialty	397	11,400	9,760		(9,900)	(10,942)			(318)
Woori Fine Second Asset Securitization Specialty	5,040	5,106	2,059			(202)			(6,963)

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Woori Fine Third Asset Securitization Specialty	7,695	277	7,695	(2)	(7,970)
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	Acquisition cost	January 1, 2013	Share of profits (losses) ^{(*)4}	Acquisition	Disposal and others	Dividends	Change in capital	Other changes	Classification of assets as held for sales / distribute to owners	December 31, 2013
Woori Fine Fourth Asset Securitization Specialty	10,845		265	10,845			(2)		(11,108)	
Woori HB Third Asset Securitization Specialty ^{(*)1}	234	233	(57)			(304)		128		
Woori EA Nineteenth Asset Securitization Specialty	400	406	3,010			(600)			(2,816)	
Woori KA First Asset Securitization Specialty	4,500	4,500	2,889						(7,389)	
Chungdo Woori Century Security Co., Ltd.	8,187	9,199	1,262				77		(10,538)	
Woori Renaissance Holdings	63,000	38,800	1,006							39,806
Woori Columbus										
First PEF	1,200		162	1,200	(51)	(84)				1,227
Seoul Lakeside Co., Ltd.	198,450	146,317	5,899						(152,216)	
	1,125,974	1,037,930	20,517	144,644	(91,410)	(29,588)	(6,195)	(978)	(457,350)	617,570

For the year ended December 31, 2014

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

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	For the year ended December 31, 2015									
	Acquisition cost	January 1, 2015	Share of profits (losses)	Acquisition ^(*2)	Disposal and others	Dividends	Change in Capital	Impairment	Other changes	December 31, 2015
Woori Blackstone Korea Opportunity First	81,608	100,436	9,266		(37,367)	(16,291)				56,044
Kumho Tire Co., Inc.	175,652	224,829	(11,979)				1,201			214,050
Woori Service Networks Co., Ltd.	108	130	21			(12)				139
Korea Credit Bureau Co., Ltd.	2,215	3,378	335	1,098			480			5,291
Korea Finance Security Co., Ltd.	3,337	4,272	(425)		(81)	(55)				3,711
United PF 1st Corporate financial stability	191,617	203,418	3,350		(19,176)					187,592
Chin Hung International Inc.	60,275	28,491	(14,489)	29,451			482			43,936
Poonglim Industrial Co., Ltd.	13,917		10,643				(1)	(22,473)	17,144	5,313
STX Engine Co., Ltd.	47,008	2,293	(3,901)	45,030			1,823		6,031	51,276
Samho Co., Ltd.	7,492	11,257	3,012				56			14,325
STX Corporation	42,215	14,347	(10,673)				559		18	4,251
Osung LST Co., Ltd.	15,405	18,482	(4,322)				4	(33,839)	30,660	10,985
Saman Corporation	8,521			8,521						8,521
Phoenix Digital Tech Co., Ltd.	1,334		1,610		(1,610)					
Woori Renaissance Holdings	63,000	36,019	3,518			(2,416)				37,121
Woori Columbus First PEF	1,200	1,084	222							1,306
Total	714,903	648,436	(13,812)	84,100	(58,234)	(18,774)	4,604	(56,312)	53,853	643,861

- (*1) Where the book value of investment in joint venture and associate is nil, the additional loss is deducted from loans that are provided to such associates or joint ventures
- (*2) Investments in associates increased by 176,661 million won and 83,002 million won through transfers between accounts, such as loan-equity swap occurred during the year ended December 31, 2014 and 2015, respectively.
- (*3) The application of equity method was suspended and the book value was nil due to accumulation of loss deficit of the investee. The unrecognized loss on valuation of investments under equity method due to the suspension of equity method on Poonglim Co., Ltd. amounted to 10,128 million Won of the shares of loss of joint ventures and associates and 511 million Won of the accumulated other comprehensive loss in the consolidated statement of comprehensive income for the year ended December 31, 2015.
- (*4) The item includes the share of profit (or loss) from the investees that were reclassified into disposal group held for sale or disposal group held for distribution to owners.
- (*5) During the year ended December 31, 2014, Indonesia Woori Bank merged with Saudara Bank, and changed its name into PT Bank Woori Saudara Indonesia 1906 Tbk. PT Bank Woori Saudara was a consolidated subsidiary as at the end of 2014, therefore was excluded from the list.

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

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

	December 31, 2015			
	Assets	Liabilities	Operating revenue	Net income (loss)
Woori Blackstone Korea Opportunity First	212,171	414	49,264	35,099
Korea Credit Bureau Co., Ltd.	63,960	13,076	53,184	2,005
Korea Finance Security Co., Ltd.	30,195	5,457	50,932	1,890
Woori Service Networks Co., Ltd.	4,577	1,772	14,661	824
Kumho Tire Co., Inc.	5,197,002	3,926,952	3,039,519	(27,893)
United PF 1st Corporate Financial Stability	1,088,325	30,390	117,579	18,911
Chin Hung International Inc.	516,305	446,412	624,110	(39,936)
Poonglim Industrial Co., Ltd.	352,683	331,801	206,904	13,185
STX Engine Co., Ltd.	958,468	834,499	417,125	36,615
SamHo Co., Ltd.	709,109	526,379	892,871	39,664
Osung LST Co., Ltd.	125,859	42,981	38,767	(30,108)
STX Corporation	1,232,014	1,181,593	1,236,168	(44,404)
Woori Renaissance Holdings Inc.	95,421	28,218	12,013	6,813
Woori Columbus First PEF	68,466	562	12,158	11,570
Saman Corporation	80,970	49,334	114,592	(116,019)

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- (4) The entities that the Group has not applied equity method of accounting although the Group's ownership ratio is more than 20% as of December 31, 2014 and 2015, are as follows:

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

	As of December 31, 2015	
	Number of shares owned	Ownership (%)
Orient Shipyard Co., Ltd. ^(*1)	465,050 shares	23.0
The Base Enterprise Co., Ltd. ^(*1)	68,470 shares	48.4
Saenuel Co., Ltd. ^(*1)	3,531 shares	37.4
Heungjiwon Co., Ltd. ^(*1)	32,849 shares	27.8
E Mirae Tech Co., Ltd. ^(*1)	7,696 shares	41.0
Jehin Trading Co., Ltd. ^(*1)	81,610 shares	27.3
NK Eng Co., Ltd. ^(*1)	697,033 shares	23.1
The season Co., Ltd. ^(*1)	18,187 shares	30.1
Deokwon Food Co., Ltd. ^(*1)	14,300 shares	27.3
Yuil PESC Co., Ltd. ^(*1)	8,642 shares	24.0
Kyesan Engineering Co., Ltd. ^(*1)	60,581 shares	23.2
Good Software Lab Co., Ltd. ^(*1)	17,121 shares	28.9
DOW Co., Ltd. ^(*1)	13,477 shares	41.9
Reading Doctors Co., Ltd. ^(*1)	7,398 shares	35.4
Orient Star Logistics Co., Ltd. ^(*1)	17,293 shares	22.3
Wongwang Co., Ltd. ^(*1)	2,590 shares	29.0

(*1) It is determined that the Group does not have significant influence over the entity since the Group cannot exercise significant influence in the decision making bodies, such as investment committee, thus it has been excluded from the investment in associates.

(*2) It does not have significant influence over the entity due to the fact that the entity is going through workout process under court receivership, thus it has been excluded from the investment in associates.

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- (5) As of December 31, 2013, 2014 and 2015, the reconciliations from the net assets of associates based on the ownership ratio of the Group to its corresponding book value of investment in joint ventures and associates are as follow (Unit: Korean Won in millions except for ownership):

	As of December 31, 2013						
	Total net asset	Ownership (%)	Net assets of associates (or joint ventures)	Differential at acquisition	Difference in fair value	Intercompany transaction and others	Book value
Woori Aviva Life Insurance Co., Ltd.	157,094	51.6	81,029	20,525	8,841		110,395
Woori Blackstone Korea Opportunity First	354,099	44.6	157,751			1,028	158,779
Korea Credit Bureau	46,501	9.0	4,185			62	4,247
DKT	138,206	28.2	39,002		11,539		50,541
KAMCO Fifth Asset Securitization Specialty ^(*)	25,588	49.0	12,538			(3)	12,535
Phoenix Digital Tech Co., Ltd.	6,115	63.1	3,643	45			3,688
Korea Finance Security Co., Ltd.	28,128	15.3	4,311				4,311
Woori Service Networks Co., Ltd.	2,749	4.9	136				136
Kumho Tire Co., Inc. ^(*)	1,063,479	12.5	128,248	15,125		(3,272)	140,101
United PF 1st Corporate financial stability	1,148,926	17.7	203,730				203,730
Chin Hung International Inc. ^(*)	92,272	26.8	24,541	21,359			45,900
Poonglim Industrial Co., Ltd.	72,451	29.9	(35,275)	38,354			3,079
STX Engine Co., Ltd.	249,075	15.0	32,080	14,928			47,008
SamHo Co., Ltd.	114,197	7.8	8,952			(1,460)	7,492
Woori New Alpha Fund	26,729	70.0	18,710	1,234			19,944
Woori SB Eleventh Asset Securitization Specialty	1,680	45.0	756				756
Woori SB Twelfth Asset Securitization Specialty	4,970	40.0	1,988				1,988
Woori BC Pegasus Asset Securitization Specialty	(10,133)	30.0	(3,040)				
Woori Stream Fourth Asset Securitization Specialty	1,534	40.0	614				614
Woori EA First Asset Securitization Specialty	(5,695)	40.0	(2,278)				
Woori EA Second Asset Securitization Specialty	(1,821)	40.0	(728)				
Woori EA Sixth Asset Securitization Specialty	(3,131)	40.0	(1,252)				
Woori EA Seventh Asset Securitization Specialty	4,095	45.0	1,843				1,843
Woori EA Ninth Asset Securitization Specialty	2,807	40.0	1,123				1,123
Woori EA Eleventh Asset Securitization Specialty ^(*)	27,444	45.0	12,350				12,350
Woori EA Sixteenth Asset Securitization Specialty	7,675	30.0	2,303				2,303
Woori EA Seventeenth Asset Securitization Specialty	633	45.0	285				285
WR Loan Inc.	82	49.0	40				40
KAMCO Sixth Asset Securitization Specialty ^(*)	2,595	45.0	1,163				1,163

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

	As of December 31, 2014						
	Total net asset	Ownership (%)	Net assets of associates (or joint ventures)	Differential at acquisition	Impairment	Intercompany transaction and others	Book value
Woori Blackstone Korea Opportunity First	379,749	26.4	100,248			188	100,436
Korea Credit Bureau	46,911	7.2	3,378				3,378
Phoenix Digital Tech Co., Ltd.	1,213	44.8	543	45	(588)		
Korea Finance Security Co., Ltd.	27,882	15.3	4,272				4,272
Woori Service Networks Co., Ltd.	2,625	4.9	130				130
Kumho Tire Co., Inc. ^(*2)	1,228,329	14.2	173,820	48,459		2,550	224,829
United PF 1st Corporate financial stability	1,147,166	17.7	203,418				203,418
Chin Hung International Inc. ^(*2)	26,650	26.8	7,132	21,359			28,491
Poonglim Industrial Co., Ltd. ^(*2)	(159,358)	30.7	(48,994)	38,356		10,638	
STX Engine Co., Ltd. ^(*2)	(93,532)	15.0	(14,029)	14,927		1,394	2,292
SamHo Co., Ltd.	143,599	7.8	11,257				11,257
Osung LST Co., Ltd. ^(*2)	(295,129)	11.1	(32,897)	51,379			18,482
STX Corporation ^(*2)	117,709	15.0	17,639	24,610	(28,370)	469	14,348
Woori Renaissance Holdings	65,069	51.6	33,576		(6,441)	8,884	36,019
Woori Columbus First PEF	56,334	1.9	1,082	6		(4)	1,084

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	As of December 31, 2015						
	Total net asset	Ownership (%)	Net assets of associates (or joint ventures)	Differential at acquisition	Impairment	Intercompany transaction and others	Book value
Woori Blackstone Korea Opportunity First	211,757	26.4	55,900			144	56,044
Korea Credit Bureau	50,884	9.9	5,043	248			5,291
Korea Finance Security Co., Ltd.	24,738	15.0	3,711				3,711
Woori Service Networks Co., Ltd.	2,805	4.9	139				139
Kumho Tire Co., Inc. ^(*2)	1,152,161	14.2	163,042	48,459		2,549	214,050
United PF 1st Corporate financial stability	1,057,935	17.7	187,538			54	187,592
Chin Hung International Inc. ^(*2)	68,132	28.4	19,374	24,566		(4)	43,936
Poonglim Industrial Co., Ltd. ^(*2)	(58,065)	30.7	(17,837)	45,622	(22,472)		5,313
STX Engine Co., Ltd. ^(*2)	123,969	29.2	36,230	14,927		119	51,276
SamHo Co., Ltd.	182,730	7.8	14,325				14,325
Osung LST Co., Ltd.	82,878	11.1	9,238	35,597	(33,839)	(11)	10,985
Saman Corporation	31,636	9.2	2,911	5,610			8,521
STX Corporation	50,421	15.0	7,552	24,610	(28,370)	459	4,251
Woori Renaissance Holdings	67,203	51.6	34,677		(6,441)	8,885	37,121
Woori Columbus First PEF	67,904	1.9	1,304	6		(4)	1,306

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

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

14. INVESTMENT PROPERTIES

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

	December 31, 2014	December 31, 2015
Acquisition cost	381,668	376,192
Accumulated depreciation	(24,118)	(24,696)
Net carrying value	357,550	351,496

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

	For the year ended December 31, 2013	For the year ended December 31, 2014	For the year ended December 31, 2015
Beginning balance	491,685	340,620	357,550
Acquisition	513		
Disposal	(6,583)		
Depreciation	(5,210)	(3,859)	(3,806)
Impairment loss	(855)		
Transfer	(7,166)	21,760	(2,297)
Classified to assets held for sale	(3,594)		
Foreign currencies translation adjustments	(11)	31	49
Others	(592)	(1,002)	
Classified into disposal group held for sale	(70,900)		
Classified into disposal group held for distribution to owners	(56,667)		
Ending balance	340,620	357,550	351,496

(3) Fair value of investment properties is amounting to 394,159 million Won and 371,890 million Won as of December 31, 2014 and 2015, respectively. The fair value of investment property, based on the assessment that was independently performed by external appraisal agencies, is classified as level 3 on the fair value hierarchy as of December 31, 2014 and 2015.

(4) Rental fee earned from investment properties is amounting to 4,135 million Won, 5,311 million Won and 5,629 million Won for the years ended December 31, 2013, 2014 and 2015, respectively.

15. PREMISES AND EQUIPMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17. ASSETS HELD FOR SALE

Assets held for sale recognized are 8,013 million Won and 17,904 million Won as of December 31, 2014 and 2015, respectively.

Table of Contents**18. ASSETS SUBJECT TO LIEN AND ASSETS ACQUIRED THROUGH FORECLOSURES**

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

		December 31, 2014		
		Collateral given to	Amount	Reason for collateral
Due from banks		Korea Investment Securities and others	105,521	Margin deposit for future or option and others
Financial assets at FVTPL	Industrial and financial debt securities and others	Kiwoom Asset Management and others	9,851	Related to bonds sold under repurchase agreements ^(*)
	Financial institutions debt securities and others	Daewoo Securities and others	309,213	Collaterals for customer RP
AFS financial assets	Korean treasury and government agencies bonds	Banco Bilbao Vizcaya Argentaria	926,796	Related to bonds sold under repurchase agreements ^(*)
	Financial institutions debt securities and others	Bank of Korea and others	2,064,586	Settlement risk and others
HTM financial assets	Korean treasury and government agencies bonds	Nomura Securities Co., Ltd. and others	650,937	Related to bonds sold under repurchase agreements ^(*)
	Korean treasury and government agencies bonds and others	Bank of Korea and others	3,054,173	Settlement risk and others
Land and building		Credit Counselling & Recovery Service	8,928	Leasehold rights and others
		Total	7,139,280	

		December 31, 2015		
		Collateral given to	Amount	Reason for collateral
Due from banks		Korea Investment Securities and others	483,298	Margin deposit for future or option and others
Financial assets at FVTPL	Financial institutions debt securities and others	Yuanta Securities Co., Ltd. and others	220,897	Substitute securities
AFS financial assets	Korean treasury and government agencies bonds	Banco Bilbao Vizcaya Argentaria	603,274	Related to bonds sold under repurchase agreements ^(*)
	Financial institutions debt securities and others	Bank of Korea and others	3,595,581	Settlement risk and others
HTM financial assets	Korean treasury and government agencies bonds	Nomura Securities Co., Ltd. and others	139,340	Related to bonds sold under repurchase agreements ^(*)
			4,657,667	Settlement risk and others

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	Korean treasury and government agencies bonds and others	Bank of Korea and others	
Land and building		Credit Counselling & Recovery Service	Leasehold rights and others 6,468
		Total	9,706,525

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

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

	December 31, 2014	December 31, 2015
Land	189	28
Building		596

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

		December 31, 2014	December 31, 2015	
Financial assets at FVTPL	Equity securities-listed stock	14,737	10,313	Loaned to Samsung Securities Co., Ltd. and others
AFS financial assets	Korean treasury and government agencies bonds	686,096	720,010	Korea Securities Depository
Total		700,833	730,323	

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

(4) Collaterals held that can be disposed and re-collateralized regardless of defaults of counterparties
Fair values of collaterals held can be disposed and re-subjected to lien regardless of defaults of counterparties as of December 31, 2014 and 2015 are as follows (Unit: Korean Won in millions):

		December 31, 2014	
			Fair values of collaterals were
	Fair values of collaterals		disposed or re-subjected to lien
Securities		6,790,215	
			Fair values of collaterals were
			disposed or re-subjected to lien
Securities		7,661,656	

19. OTHER ASSETS

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

	December 31, 2014	December 31, 2015
Prepaid expenses	131,267	124,080
Advance payments	1,097	1,008
Non-operative assets	189	624
Others	12,604	17,574
Total	145,157	143,286

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Table of Contents**20. FINANCIAL LIABILITY AT FVTPL**

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

	December 31, 2014	December 31, 2015
Financial liabilities held for trading	2,153,782	2,605,699
Financial liabilities designated at FVTPL	521,572	854,862
Total	2,675,354	3,460,561

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

	December 31, 2014	December 31, 2015
Deposits due to Customers:		
Gold banking liabilities	13,927	24,872
Derivative liabilities	2,139,855	2,580,827
Total	2,153,782	2,605,699

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

	December 31, 2014	December 31, 2015
Equity linked securities index:		
Equity linked securities index in short position	362,308	758,011
Debentures:		
Debentures in local currency	97,590	96,851
Debentures in foreign currencies	61,674	
Sub-total	159,264	96,851
Total	521,572	854,862

(4) Credit risk adjustments to financial liabilities designated at FVTPL are as follows (Unit: Korean Won in millions):

	December 31, 2013	December 31, 2014	December 31, 2015
Financial liabilities designated at FVTPL subject to credit risk adjustments	401,947	521,572	854,862
Credit risk adjustments	(2,905)	(2,612)	(542)

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Accumulated changes in credit risk adjustments	2,422	(45,561)	(15,016)
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Credit risk adjustments are applied to reflect the Group's own credit risk when measuring the fair value of derivative liabilities. The methodology to determine the adjustment incorporates the Group's credit spread as observed through credit ratings.

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

	December 31, 2014	December 31, 2015
Carrying amount	521,572	854,862
Nominal amount at maturity	623,461	1,086,365
Difference	(101,889)	(231,503)

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Table of Contents**21. DEPOSITS DUE TO CUSTOMERS**

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

	December 31, 2014	December 31, 2015
Deposits in local currency		
Demand deposits	10,090,772	9,728,839
Time deposits	161,697,250	175,598,522
Mutual funds	46,072	40,888
Deposits on notes payables	486,356	687,579
Deposits on CMA	276,484	235,089
Certificate of deposits	740,090	2,435,087
Other deposits	1,281,595	1,304,348
Sub-total	174,618,619	190,030,352
Deposits in foreign currencies	13,902,989	19,129,214
Present value discount	(5,143)	(17,740)
Total	188,516,465	209,141,826

22. BORROWINGS AND DEBENTURES

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

		December 31, 2014	
	Lenders	Interest rate (%)	Amount
Borrowings in local currency:			
Borrowings from the Bank of Korea	The Bank of Korea	0.5~1.0	803,317
Borrowings from government funds	Small and Medium Business Corporation and others	0.0~3.5	1,680,175
Others	The Korea Development Bank and others	0.0~3.8	4,229,396
Sub-total			6,712,888
Borrowings in foreign currencies:			
Borrowings in foreign currencies	The Export-Import Bank of Korea	0.0~3.7	7,921,772
Offshore borrowings in foreign currencies	Barclays Bank PLC	0.5	17,375
Sub-total			7,939,147
Bills sold	Others	0.0~2.6	87,692
Call money	Banks	0.0~3.9	1,771,733
Bonds sold under repurchase agreements	Other financial institutions	1.3~4.5	1,196,237
Present value discount			(102)
Total			17,707,595

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

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

	December 31, 2014		December 31, 2015	
	Interest rate (%)	Amount	Interest rate (%)	Amount
Face value of bond				
Ordinary bonds	0.8~10.5	18,564,367	0.2~12.0	16,868,054
Subordinated bonds	3.4~10.3	6,248,349	3.4~13.0	5,055,311
Other bonds	17.0	51,601	17.0	4,006
Sub-total		24,864,317		21,927,371
Discounts on bond		(68,413)		(28,512)
Total		24,795,904		21,898,859

(*) The debentures of 3,421,176 million Won and 3,148,703 million Won as of December 31, 2014 and 2015, respectively, which are fair value hedged items are included.

23. PROVISIONS

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

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	December 31, 2014	December 31, 2015
Asset retirement obligation	29,733	39,121
Provision for guarantee ^(*1)	509,320	364,141
Provision for loan commitments	90,449	85,313
Provision for credit card points	5,548	5,445
Other provisions ^(*2)	56,959	22,581
Total	692,009	516,601

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(*1) Provision for guarantee includes provision for financial guarantee of 159,149 million Won and 139,002 million Won as of December 31, 2014 and 2015, respectively.

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

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

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

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

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

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

	For the year ended December 31, 2013	For the year ended December 31, 2014	For the year ended December 31, 2015
Beginning balance	22,024	23,513	29,733
Provisions provided	4,553	932	1,742
Provisions used	(1,532)	(746)	(1,316)
Depreciation	433	519	394
Reversal of unused amount	(1,800)	(143)	(179)
Increase in restoration costs and others	9,175	5,658	8,747
Classified into disposal group held for sale	(4,619)		
Classified into disposal group held for distribution to owners	(4,721)		
Ending balance	23,513	29,733	39,121

24. NET DEFINED BENEFIT LIABILITY

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

The Group is exposed to various risks through defined benefit retirement pension plan and the major significant risks are as follows:

Volatility of Asset

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

Decrease in Yield of Blue Chip Bonds

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

Risk of Inflation

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

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

	December 31, 2014	December 31, 2015
Defined benefit obligation	683,961	901,219
Fair value of plan assets	(608,370)	(801,528)
Net defined benefit liability	75,591	99,691

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

	For the year ended December 31, 2013	For the year ended December 31, 2014	For the year ended December 31, 2015
Beginning balance	562,285	509,849	683,961
Current service cost	160,216	118,651	132,710
Interest cost	21,352	20,016	21,377
Remeasurements	(7,299)	72,990	97,730
Foreign currencies translation adjustments	2,742	(133)	(8)
Retirement benefit paid	(38,787)	(32,422)	(26,516)
Past service cost	470		
Curtailement or settlement	(4,082)	(5,570)	(8,231)
Others	2,542	580	196
Classified into disposal group held for sale	(68,177)		
Classified into disposal group held for distribution to owners	(121,413)		
Ending balance	509,849	683,961	901,219

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

	For the year ended December 31, 2013	For the year ended December 31, 2014	For the year ended December 31, 2015
Beginning balance	395,989	438,247	608,370
Interest income	21,085	20,804	21,965
Remeasurements	(2,489)	(5,504)	(5,444)
Employer's contributions	147,633	184,141	229,069
Retirement benefit paid	(28,615)	(22,849)	(22,860)
Settlement	(3,725)	(5,525)	(8,240)
Others	1,277	(944)	(21,332)
Classified into disposal group held for sale	(60,348)		
Classified into disposal group held for distribution to owners	(32,560)		
Ending balance	438,247	608,370	801,528

(4) Plan assets wholly consist of time deposits as of December 31, 2014 and 2015, respectively. Among plan assets, realized returns on plan assets amount to 18,596 million Won, 15,300 million Won and 16,521 million Won for the years ended December 31, 2013, 2014 and 2015, respectively.

(5) The Bank, of which defined benefit obligation explains 93.9% of the Group's defined benefit obligation as of December 31, 2015, expects to make contribution, amounting to 136,662 million Won, to its plan.

(6) The analysis for the maturity, which is not discounted, of the defined benefit obligation of the Bank is as following:

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	December 31, 2014	December 31, 2015
Less than 1 year	2,521	38,322
1 year ~ less than 2 years	21,207	97,422
2 years ~ less than 5 years	113,194	134,835
5 years ~ less than 10 years	122,716	186,996
More than 10 years	381,675	388,012

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

	For the year ended December 31, 2013	For the year ended December 31, 2014	For the year ended December 31, 2015
Current service cost	160,216	118,651	132,710
Net interest expense (income)	267	(788)	(588)
Past service cost	470		
Gain (loss) on the curtailment or settlement	(357)	(45)	9
Reclassification to discontinued operations	(40,681)		
Cost recognized in net income	119,915	117,818	132,131
Remeasurements	(4,810)	78,494	103,174
Cost recognized in total comprehensive income	115,105	196,312	235,305

Retirement benefit service costs related to defined contribution plans are recognized million Won, 2,967 million Won, 3,543 million Won and 3,623 million Won for the years ended December 31, 2013, 2014 and 2015, respectively.

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

	December 31, 2013	December 31, 2014	December 31, 2015
Discount rate	4.28%	3.29%	2.83%
Future wage growth rate	5.72%	5.74%	6.35%
Retirement rate	Experience rate for each employment classification	Experience rate for each employment classification	Experience rate for each employment classification
Mortality rate	Issued by Korea Insurance Development Institute	Issued by Korea Insurance Development Institute	Issued by Korea Insurance Development Institute

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

		Change of defined benefit obligation as of December 31, 2014	December 31, 2015
Discount rate	Increase by 1% point	(66,278)	(101,026)
	Decrease by 1% point	76,296	118,879
Future wage growth rate	Increase by 1% point	76,040	117,975
	Decrease by 1% point	(67,267)	(101,900)

Table of Contents**25. OTHER FINANCIAL LIABILITIES AND OTHER LIABILITIES**

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

	December 31, 2014	December 31, 2015
Other financial liabilities:		
Payables	4,532,101	5,586,031
Accrued expenses	2,343,332	1,901,204
Borrowings from trust accounts	3,475,353	4,476,396
Agency business revenue	433,594	415,776
Foreign exchange payables	375,059	708,267
Domestic exchange payables	3,386,529	2,082,472
Miscellaneous liabilities	2,345,433	1,795,256
Present value discount	(1,714)	(1,196)
Sub-total	16,889,687	16,964,206
Other liabilities:		
Deferred Income	164,431	171,649
Other miscellaneous liabilities	226,239	133,525
Sub-total	390,670	305,174
Total	17,280,357	17,269,380

26. DERIVATIVES

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

	Nominal amount	December 31, 2014 Assets		Liabilities
		Fair value hedge	For trading	For trading
Interest rate:				
Interest rate futures	21,640			
Interest rate swap	106,014,214	182,990	1,097,849	1,140,917
Long interest rate options	1,658,180		11,985	
Short interest rate options	1,788,180			10,638
Currency:				
Currency futures	382,577			
Currency forwards	40,078,267		415,209	342,778
Currency swaps	20,902,464		504,858	572,985
Long currency option	1,433,050		45,617	
Short currency option	1,614,028			18,176
Stock:				
Stock futures	46,400			
Stock swaps	10,000		522	
Long index option	352,943	13,071	1,070	
Short index option	767,978			19,916
Others:				

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Other futures	592			
Other swaps	53,035		4,481	4,468
Long option	249,081		29,876	
Short option	261,883			29,977
Total	175,634,512	196,061	2,111,467	2,139,855

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	December 31, 2015			Liabilities For trading
	Nominal amount	Fair value hedge	Assets For trading	
Interest rate:				
Interest rate swap	111,633,234	180,378	923,712	959,347
Long interest rate options	881,679		13,961	
Short interest rate options	1,086,679			15,164
Currency:				
Currency futures	423,877			
Currency forwards	56,298,910		759,838	475,646
Currency swaps	27,070,835		617,777	949,921
Long currency option	1,657,911		63,498	
Short currency option	1,366,459			13,530
Stock:				
Stock futures	169,785			
Stock swaps	10,000			6
Long index option	682,358	2,750	444	
Short index option	2,410,815			155,386
Others:				
Other futures	1,100			
Other forward	125			39
Other swaps	78,882		5,363	4,781
Long option	41,097		5,904	
Short option	142,259			7,007
Total	203,956,005	183,128	2,390,497	2,580,827

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

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

	For the year ended December 31, 2013	For the year ended December 31, 2014	For the year ended December 31, 2015
Gains or losses from hedged items	114,053	(64,158)	(31,297)
Gains or losses from hedging instruments	(108,290)	63,442	38,021

27. DEFERRED DAY 1 PROFIT OR LOSS

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

	For the year ended December 31, 2013	For the year ended December 31, 2014	For the year ended December 31, 2015
Beginning balance	65,267	6,256	13,499
Acquisitions	100,110	13,367	26,762
Amounts recognized in profits or losses	(59,389)	(6,124)	(12,253)
Classified into disposal group held for sale	(99,732)		
Ending balance	6,256	13,499	28,008

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

28. CAPITAL STOCK AND CAPITAL SURPLUS

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

	December 31, 2014	December 31, 2015
Authorized shares of common stock	5,000,000,000 Shares	5,000,000,000 Shares
Par value	5,000 Won	5,000 Won
Issued shares of common stock	676,278,371 Shares	676,000,000 Shares
Capital stock	3,381,392 million Won	3,381,392 million Won

On November 1, 2014, the Bank (acquirer) completed its merger with Woori Finance Holdings (acquiree) in accordance with the decisions made by the board of directors on July 28, 2014, and the Bank became the surviving entity and Woori Finance Holdings was dissolved. The merger ratio was 1:1.0000000, and the shareholders of Woori Finance Holdings received one common share of the Bank per one common share of the company as compensation.

Accordingly, the shares of the Bank, 597 million shares, prior to the merger, was reduced to nil in accordance with capital reduction procedure, and then, in accordance with the merger ratio, the Bank newly issued 676 million shares.

Since the merger constituted a succession for purpose of the related regulations, the Bank succeeded such rights and obligations as a listed company and as a registrant on the Korea Exchange and on the New York Stock Exchange. The related filing was made on November 3, 2014 with the US Securities and Exchange Commission in accordance with Rule 12g-3(f) under the Exchange Act, and the Bank listed its stock on the Korea Exchange on November 19, 2014.

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

	December 31, 2013	December 31, 2014	December 31, 2015
Beginning balance	806,015,340	806,015,340	676,278,371
Changes due to the Merger ^(*)		(129,736,969)	
Retirement of treasury stock			(278,371)
Ending balance	806,015,340	676,278,371	676,000,000

(*) Pursuant to the demerger plan, Kyongnam Bank and Kwangju Bank inherited the common stock amounted to 648,885 million Won from Woori Finance Holdings on May 1, 2014.

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

	December 31, 2014	December 31, 2015
Capital in excess of par value	269,533	269,533
Other capital surplus	21,533	24,726

Total	291,066	294,259
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Table of Contents**29. HYBRID SECURITIES**

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

	Issuance date	Maturity	Annual interest rate (%)	December 31, 2014	December 31, 2015
Local currency	June 20, 2008 ^(*1)	June 20, 2038	7.7	255,000	255,000
	November 22, 2011 ^(*1)	November 22, 2041	5.9	310,000	310,000
	March 8, 2012 ^(*1)	March 8, 2042	5.8	190,000	190,000
	April 25, 2013 ^(*1)	April 25, 2043	4.4	500,000	500,000
	November 13, 2013 ^(*1)	November 13, 2043	5.7	200,000	200,000
	December 12, 2014 ^(*2)	December 12, 2044	5.2	160,000	160,000
Foreign Currency	June 3, 2015	June 3, 2045	4.4		240,000
	May 2, 2007 ^(*1)	May 2, 2037	6.2	930,900	930,900
	June 10, 2015	June 10, 2045	5.0		559,650
Issuance cost				(7,077)	(11,548)
Total				2,538,823	3,334,002

With respect to the hybrid securities issued, the contractual agreements allow the Group to indefinitely extend the maturity date with the same conditions and defer the payment of interest. In the event that the Group determines not to pay dividends on common stock, the interest payment on the hybrid securities may be exempted.

(*1) On May 1, 2014, as Kyongnam Bank and Kwangju Bank were demerged, the corresponding hybrid securities in the amount of 286,564 million Won were transferred to newly established holding companies together with other assets and liabilities of Kyongnam Bank and Kwangju Bank. In addition, as Woori bank is now a parent company of the Group, its hybrid securities in the amount of 1,880,798 million Won were reclassified to owner's equity.

(*2) During March, 2014, the Group repaid hybrid securities of 702,995 million Won with initial maturity of March 31, 2039. In December 2014, the Group issued hybrid securities in the amount of 159,618 million Won.

The dividend on hybrid securities in the amount of 116,721 million Won, which had been accrued by 1 November 2014, before the merger of Woori bank and Woori Finance Holdings, was recognised as a reduction of non-controlling interest.

Table of Contents**30. OTHER EQUITY**

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

	December 31, 2014	December 31, 2015
Other comprehensive income:		
Gain on available-for-sale financial assets	300,994	374,685
Share of other comprehensive income of joint ventures and associates	2,779	6,074
Loss on foreign currency translation for foreign operations	(107,721)	(70,789)
Remeasurement of the net defined benefit liability	(119,375)	(197,579)
Cash flow hedges	(10,371)	(10,371)
Sub-total	66,306	102,020
Treasury shares ^(*)	(37,594)	(34,113)
Other capital adjustments		
Capital adjustments from the Spin-off (Note 47)	(2,185,666)	(1,557,086)
Capital adjustments from the merger with Woori Finance Holdings	(178,060)	
Others	(58,124)	(58,124)
Sub-total	(2,421,850)	(1,615,210)
Total	(2,393,138)	(1,547,303)

(*) As of December 31, 2014, the Group held 3,007,144 shares (37,594 million Won) through the following transactions made during the year ended December 31, 2014: Acquisition of 27,157 shares (345 million Won) due to the spin-off of Kyongnam Bank and Kwangju Bank, acquisition of 2,913,155 shares (36,429 million Won) due to the treasury stock trust, and acquisition of 64,832 shares (806 million Won) due to the claims for stock repurchase from the shareholders who did not agree with the merger. During the year ended 31 December 2015, the Group retired its treasury stock of 278,371 shares, which amounted to 3,481 million Won.

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

	For the year ended December 31, 2013					Classified into disposal group held for distribution to owners	Ending balance
	Beginning balance	Increase (decrease) on valuation	Reclassification adjustments	Income tax effect	Classified into disposal group held for sale		
Gain (loss) on valuation of available-for-sale financial assets	313,180	8,089	(17,110)	(24,761)	(28,923)	(46,365)	204,110
Share of other comprehensive income (loss) of joint ventures and associates	12,128	(7,269)		894	(3,662)	2,599	4,690
Gain (loss) on foreign currency translation of foreign operations	(84,577)	(70,728)	(10)	18,739	18,783		(117,793)
Remeasurement of the net defined benefit liability	(75,323)	2,508		4,407	(592)	9,123	(59,877)

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Cash flow hedges	8,693	(650)	811	(926)	(15,426)	(861)	(8,359)
Total	174,101	(68,050)	(16,309)	(1,647)	(29,820)	(35,504)	22,771

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Table of Contents**For the year ended December 31, 2014**

	Beginning balance^(*1)	Increase (decrease) on valuation^(*2)	Reclassification adjustments^(*2)	Income tax effect	Changes due to the Spin-off	Ending balance
Gain (loss) on valuation of available-for-sale financial assets	279,398	354,856	(241,216)	(27,102)	(64,942)	300,994
Share of other comprehensive income (loss) of joint ventures and associates	5,753	(3,464)	(244)	734		2,779
Gain (loss) on foreign currency translation of foreign operations	(136,576)	2,186	37,094	(10,425)		(107,721)
Remeasurement of the net defined benefit liability	(68,408)	(81,476)	(900)	18,950	12,459	(119,375)
Cash flow hedges	7,928	(6,844)	(13,671)	2,296	(80)	(10,371)
Total	88,095	265,258	(218,937)	(15,547)	(52,563)	66,306

For the year ended December 31, 2015

	Beginning balance	Increase (decrease) on valuation^(*2)	Reclassification adjustments^(*2)	Income tax effect	Ending balance
Gain (loss) on valuation of available-for-sale financial assets	300,994	190,842	(101,439)	(15,712)	374,685
Share of other comprehensive income (loss) of joint ventures and associates	2,779	4,409		(1,114)	6,074
Gain (loss) on foreign currency translation of foreign operations	(107,721)	49,421		(12,489)	(70,789)
Remeasurement of the net defined benefit liability	(119,375)	(102,467)		24,263	(197,579)
Cash flow hedges	(10,371)				(10,371)
Total	66,306	142,205	(101,439)	(5,052)	102,020

(*1) The accumulated other comprehensive income as of January 1, 2014 included the amounts classified as the disposal group held for sale and the disposal group held for distribution to owners as of December 31, 2013.

(*2) For the change in gain (loss) on valuation of AFS financial assets, increase or decrease represents change due to the valuation during the period, and reclassification adjustments explains disposal or recognition of impairment losses on AFS financial assets.

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- (3) Changes in the equity directly associated with disposal group held for sale or distribution to owners during the year ended December 31, 2014 are as follows (Unit: Korean Won in millions):

- 1) Equity directly associated with disposal group held for sale

	For the year ended December 31, 2014					Ending balance
	Beginning balance	Increase (decrease) on valuation	Reclassification adjustments	Income tax effect	Changes due to disposal of subsidiaries	
Gain (loss) on available-for-sale financial assets	28,923	16,141		(3,908)	(41,156)	
Share of other comprehensive income (loss) of joint ventures and associates	3,662	3,159		16	(6,837)	
Gain (loss) on foreign currency translation of foreign operations	(18,783)	(6,982)		(1,691)	27,456	
Remeasurement of the net defined benefit liability	592	(465)		149	(276)	
Cash flow hedges	15,426	(173)			(15,253)	
Total	29,820	11,680		(5,434)	(36,066)	

- 2) Equity directly associated with disposal group held for distribution to owners

	For the year ended December 31, 2014					Ending balance
	Beginning balance	Increase (decrease) on valuation	Reclassification adjustments	Income tax effect	Changes due to the Spin-off	
Gain (loss) on available-for-sale financial assets	46,365	1,735	(773)	(233)	(47,094)	
Share of other comprehensive income (loss) of joint ventures and associates	(2,599)				2,599	
Gain (loss) on foreign currency translation of foreign operations						
Remeasurement of the net defined benefit liability	(9,123)	(558)		135	9,546	
Cash flow hedges	861				(861)	
Total	35,504	1,177	(773)	(98)	(35,810)	

Table of Contents**31. RETAINED EARNINGS**

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

		December 31, 2014	December 31, 2015
Legal reserve	Legal reserve	1,463,754	1,528,754
	Other legal reserve	41,472	43,132
	Sub-total	1,505,226	1,571,886
Voluntary reserve	Business rationalization reserve	8,000	8,000
	Reserve for financial structure improvement	235,400	235,400
	Additional reserve	8,134,544	7,249,104
	Regulatory reserve for credit loss	1,800,387	1,756,142
	Revaluation reserve	760,455	760,366
	Other voluntary reserve	11,700	11,700
	Sub-total	10,950,486	10,020,712
Retained earnings before appropriation		1,709,646	2,133,524
	Total	14,165,358	13,726,122

i. Legal reserve

In accordance with the Act of Banking Law, legal 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 are appropriated in the branches located in Japan, Vietnam and Bangladesh according to the banking laws of Japan, Vietnam and Bangladesh, respectively, and may be used to offset any deficit incurred in those branches.

iii. Business rationalization reserve

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

iv. Reserve for financial structure improvement

From 2002 to 2014, the Finance Supervisory Services recommended banks in Korea to appropriate at least ten percent of net income after accumulated deficit for financial structure improvement, until tangible common equity ratio equals 5.5 percent. But this reserve is not available for payment of cash dividends; however, it can be used to reduce a deficit or be transferred to capital. Since 2015, reservation and appropriation became an autonomous judgment matter of the Group.

v. Additional reserve and other voluntary reserve

Both of Additional reserve and other voluntary reserve are appropriated for capital adequacy and other management purpose.

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vi. Regulatory reserve for credit loss

In accordance with Article 29 of the Regulation on Supervision of Banking Business (RSBB), if allowance for loan losses under IFRS for the accounting purpose is lower than allowance based on RSBB, the Bank discloses such short fall amount as regulatory reserve for credit loss.

vii. Revaluation reserve

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

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

	For the years ended December 31		
	2013	2014	2015
Beginning balance	13,881,378	13,112,690	14,165,358
Net income (loss) attributable to owners	(537,688)	1,213,980	1,059,157
Changes due to the Spin-off		(110,405)	
Dividends on common stock	(201,503)		(504,952)
Dividends on hybrid securities	(29,399)	(50,129)	(183,320)
Appreciation of merger losses			(806,640)
Retirement of treasury stock			(3,481)
Others	(98)	(778)	
Ending balance	13,112,690	14,165,358	13,726,122

32. REGULATORY RESERVE FOR CREDIT LOSS

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

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

	For the years ended December 31	
	2014	2015
Beginning balance	1,800,387	1,756,142
Planned reversal of regulatory reserve (reverse) for credit loss	(44,245)	499,110
Ending balance	1,756,142	2,255,252

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

For the years ended December 31		
2013 (*1)	2014 (*2)	2015

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Net income (loss)	(713,435)	1,207,969	1,075,392
Provision (reversal) of regulatory reserve for credit loss	114,764	(44,245)	499,110
Adjusted net income (loss) after the provision (reversal) of regulatory reserve	(828,199)	1,252,214	576,282
Adjusted EPS (or loss per share) after the provision (reversal) of regulatory reserve	(1,256)	1,512	584

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- (*1) For the years ended December 31, 2013, If it was calculated solely based on the owner's equity of Woori Finance Holdings, the net loss before the provision of regulatory reserve amounted to 537,688 million Won, the required provision of regulatory reserve for credit loss amounted to 135,077 million Won, the adjusted net loss after provision of regulatory reserve amounted to 672,765 million Won, respectively, and the adjusted loss per share after the provision of regulatory reserve amounted to 871 Won.
- (*2) The amounts are calculated using the balance of regulatory reserve for credit loss of Woori Finance Holdings as of January 1, 2014. If it was calculated using the balance of Woori Bank, the required provision of regulatory reserve for credit loss, the adjusted net income after provision of regulatory reserve, and the adjusted EPS after the provision of regulatory reserve would have amounted to 505,805 million Won, 702,164 million Won, and 746 Won, respectively.

33. DIVIDENDS

The Group is to pay out 168,317 million Won (250 Won per share) as dividend for the year ended December 31, 2015, and it will be reviewed and approved at the shareholders' meeting on March 25, 2016. As such, the separate statements of financial position as of December 31, 2015 do not incorporate such unpaid dividend.

In addition, on July 29, 2015, the board of directors resolved the interim dividend of 250 Won per a common share, which amounted to 168,318 million Won for the shares issued and it was paid during the year ended December 31, 2015.

34. NET INTEREST INCOME

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

	For the years ended December 31		
	2013	2014	2015
Financial assets at FVTPL	109,202	70,653	63,143
AFS financial assets	376,933	359,986	389,443
HTM financial assets	483,515	441,626	418,065
Loans and receivables:			
Interest on due from banks	120,041	104,633	81,117
Interest on loans	8,349,900	8,183,844	7,700,475
Interest of other receivables	53,792	50,498	45,992
Sub-total	8,523,733	8,338,975	7,827,584
Total	9,493,383	9,211,240	8,698,235

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

	For the years ended December 31		
	2013	2014	2015
Interest on deposits due to customers	3,649,810	3,450,786	2,888,529
Interest on borrowings	253,752	251,804	216,743
Interest on debentures	960,529	885,365	707,772
Interest expense on others	137,270	130,267	123,291
Total	5,001,361	4,718,222	3,936,335

Table of Contents**35. NET FEES AND COMMISSIONS INCOME**

(1) Fees and commissions income recognized is as follows (Unit: Korean Won in millions):

	For the years ended December 31		
	2013	2014	2015
Banking fees (*)	671,257	641,332	676,114
Guarantee fees	91,312	75,997	78,922
Fees from project financing	12,697	12,717	15,521
Credit card fees	668,910	746,811	852,250
CMA management fees	789		
Brokerage fees	62,933	61,472	67,692
Others	57,326	59,686	66,841
Total	1,565,224	1,598,015	1,757,340

(*) Banking fees include agency commission, fees income from electronic finance, fees income related to loan, fees for import letter of credit dealing, commission received on foreign exchange and others.

(2) Fees and commissions expense incurred is as follows (Unit: Korean Won in millions):

	For the years ended December 31		
	2013	2014	2015
Fees paid	117,268	115,480	133,909
Credit card commissions	511,776	555,496	643,524
Brokerage commissions	210	168	615
Others	9,469	9,856	2,496
Total	638,723	681,000	780,544

36. DIVIDEND INCOME

Dividend income recognized is as follows (Unit: Korean Won in millions):

	For the years ended December 31		
	2013	2014	2015
Dividend from financial assets at FVTPL	7,283	3,178	1,217
Dividend from AFS financial assets	80,358	93,634	101,706
Total	87,641	96,812	102,923

37. GAINS (LOSSES) ON FINANCIAL ASSETS AT FVTPL

(1) Details of gains or losses related to financial assets at FVTPL are as follows (Unit: Korean Won in millions):

	For the years ended December 31		
	2013	2014	2015
Gains on financial assets held for trading	129,972	161,851	171,137
Gains (losses) of financial assets designated at FVTPL	(6,072)	28,061	69,205
Total	123,900	189,912	240,342

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(2) Gains (losses) on financial assets held for trading are as follows (Unit: Korean Won in millions):

			For the years ended December 31			
			2013	2014	2015	
Financial Assets at FVTPL	Securities	Gain on valuation	7,151	27,122	7,735	
		Gain on disposals	53,783	37,158	32,780	
		Loss on valuation	(30,369)	(19,441)	(13,663)	
		Loss on disposals	(68,671)	(45,201)	(22,771)	
		Sub-total	(38,106)	(362)	4,081	
	Other financial assets	Gain on valuation	6,296	3,878	10,195	
		Gain on disposals	812	763	442	
		Loss on valuation	(6,612)	(4,315)	(10,189)	
		Loss on disposals	(350)	(509)	(208)	
		Sub-total	146	(183)	240	
Total			(37,960)	(545)	4,321	
Derivatives (for trading)	Interest rates derivatives	Gain on transactions and valuation	1,282,013	1,220,496	1,240,353	
		Loss on transactions and valuation	(1,282,666)	(1,261,289)	(1,251,673)	
		Sub-total	(653)	(40,793)	(11,320)	
	Currencies derivatives	Gain on transactions and valuation	3,642,244	2,681,812	4,241,317	
		Loss on transactions and valuation	(3,463,262)	(2,499,395)	(3,987,856)	
		Sub-total	178,982	182,417	253,461	
	Equity derivatives	Gain on transactions and valuation	45,758	61,840	92,400	
		Loss on transactions and valuation	(55,718)	(40,342)	(166,528)	
		Sub-total	(9,960)	21,498	(74,128)	
	Other derivatives	Gain on transactions and valuation	18,201	50,883	54,322	
		Loss on transactions and valuation	(18,638)	(51,609)	(55,519)	
		Sub-total	(437)	(726)	(1,197)	
	Total			167,932	162,396	166,816
	Total			129,972	161,851	171,137

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(3) Gains (losses) on financial assets designated at FVTPL are as follows (Unit: Korean Won in millions):

	For the years ended December 31		
	2013	2014	2015
Gain (loss) on equity-linked securities:			
Gain (loss) on disposals of equity-linked securities	(7,842)	7,575	(22,363)
Gain (loss) on valuation of equity-linked securities	(625)	9,709	89,863
Sub-total	(8,467)	17,284	67,500
Gain (loss) on other financial instruments:			
Gain (loss) on disposals of other financial instruments	265	(123)	(62)
Gain (loss) on valuation of other financial instruments	(920)	43	1,027
Sub-total	(655)	(80)	965
Gain on other financial instruments:			
Gain on valuation of other financial instruments	3,050	10,857	740
Sub-total	3,050	10,857	740
Total	(6,072)	28,061	69,205

38. NET LOSSES ON AFS FINANCIAL ASSETS

Gains (losses) on AFS financial are as follows (Unit: Korean Won in millions):

	For the years ended December 31		
	2013	2014	2015
Gains on redemption of securities	43	90	1,089
Gains on transaction of securities	59,355	171,747	130,457
Impairment losses on securities	(144,640)	(240,761)	(134,827)
Total	(85,242)	(68,924)	(3,281)

39. IMPAIRMENT LOSSES DUE TO CREDIT LOSS

Impairment losses on loans and receivables, guarantees and loan commitment recognized for credit loss are as follows (Unit: Korean Won in millions):

	For the years ended December 31		
	2013	2014	2015
Provision due to credit loss	(2,199,362)	(1,116,171)	(1,112,139)
Reversal of provision on/(provision for) guarantees	(93,311)	(14,314)	140,318
Reversal of provision on loan commitment	15,413	33,545	5,175
Total	(2,277,260)	(1,096,940)	(966,646)

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(1) Administrative expenses recognized are as follows (Unit: Korean Won in millions):

			For the years ended December 31		
			2013	2014	2015
Employee benefits	Short term	Salaries	1,186,568	1,196,332	1,262,786
		employee benefits	346,141	360,158	381,283
		Retirement benefit service costs	122,882	121,361	135,754
		Termination	58,215	70,459	73,119
Sub-total			1,713,806	1,748,310	1,852,942
Depreciation and amortization			232,737	223,899	236,958
Other general and administrative expenses	Rent		231,422	266,369	295,871
	Taxes and dues		113,469	101,753	103,580
	Service charges		206,314	215,448	233,860
	IT expenses		104,690	106,386	100,026
	Telephone and communication expenses		56,319	58,102	60,880
	Operating promotion expenses		44,963	44,382	46,638
	Advertising		56,269	51,944	58,914
	Printing		9,596	10,712	10,249
	Traveling expenses		6,848	7,702	9,601
	Supplies		6,806	6,908	6,822
	Insurance premium		4,428	5,899	7,236
	Reimbursement		16,568	18,937	23,779
	Maintenance		13,139	14,050	14,565
	Water, light and heating		15,039	15,163	15,205
Vehicle maintenance		11,817	10,860	10,400	
Others		57,942	52,095	62,861	
Sub-total			955,629	986,710	1,060,487
Total			2,902,172	2,958,919	3,150,387

(2) Other operating incomes recognized are as follows (Unit: Korean Won in millions):

			For the years ended December 31		
			2013	2014	2015
Gains on transaction of foreign exchange			2,572,513	1,883,808	3,352,318
Gains on disposal of loans and receivables			115,623	132,846	186,939
Gains on transactions of derivatives			11,486	84,533	59,003
Gains on fair value hedged items			127,558	23,318	25,235
Others ^(*)			279,785	132,666	158,806
Total			3,106,965	2,257,171	3,782,301

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- (*) Others include such incomes amounting to 215,845 million Won, 102,541 million Won and 137,187 million Won for the year ended December, 2013, 2014 and 2015, respectively, that the Group recognized for it is to receive from other creditor financial institutions in accordance with the creditor financial institutions committee agreement.

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(3) Other operating expenses recognized are as follows (Unit: Korean Won in millions):

	For the years ended December 31		
	2013	2014	2015
Losses on transaction of foreign exchange	2,439,398	1,902,316	3,429,638
KDIC deposit insurance fees	236,845	259,140	266,031
Contribution to miscellaneous funds	326,626	338,386	343,703
Losses on disposal of loans and receivables	22,528	30,480	43,266
Losses related to derivatives	119,776	21,091	20,982
Losses on fair value hedged items	13,505	87,476	56,532
Others ^(*)	74,110	292,548	232,210
Total	3,232,788	2,931,437	4,392,362

(*) Others include such expenses amounting to 35,085 million Won, 218,072 million Won and 154,897 million Won for the year ended December 31, 2013, 2014 and 2015, respectively, that the Group recognized for it is to carry out a payment to other creditor financial institutions in accordance with the creditor financial institutions committee agreement.

41. OTHER NET NON-OPERATING INCOME

(1) Details of gain or loss on valuation of investments in joint ventures and associates are as follows (Unit: Korean Won in millions):

	For the years ended December 31		
	2013	2014	2015
Gain on valuation	30,182	37,427	41,363
Loss on valuation	(31,459)	(70,008)	(55,176)
Impairment loss		(35,399)	(56,311)
Total	(1,277)	(67,980)	(70,124)

(2) Other non-operating incomes and expenses recognized are as follows (Unit: Korean Won in millions):

	For the years ended December 31		
	2013	2014	2015
Other non-operating incomes	145,131	134,355	272,610
Other non-operating expenses	(95,754)	(129,688)	(102,126)
Total	49,377	4,667	170,484

(3) Other non-operating incomes recognized are as follows (Unit: Korean Won in millions):

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	For the years ended December 31		
	2013	2014	2015
Rental fee income	6,101	8,058	8,225
Gains on disposal of investment in joint ventures and associates	19,974	31,414	61,653
Gains on disposal of premises and equipment and other assets	9,509	1,398	6,814
Reversal of impairment loss on premise and equipment and other assets	46	533	539
Others ^(*)	109,501	92,952	195,379
 Total	 145,131	 134,355	 272,610

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(*) Others include the receipt of guaranteed payment, which was amounting to 132,784 million Won, during the year ended December 31, 2015 that the Group received in accordance with the final irrevocable verdict for the payment of commitment (Note 44).

(4) Other non-operating expenses recognized are as follows (Unit: Korean Won in millions):

	For the years ended December 31		
	2013	2014	2015
Depreciation on investment properties	3,573	4,016	3,806
Interest expenses of rent leasehold deposits	965	1,026	688
Losses on disposal of investment in joint ventures and associates	4,464	1,765	10
Losses on disposal of premises and equipment and other assets	681	1,709	2,707
Impairment losses on premises and equipment and other assets	1,999	2,226	2,990
Donation	52,345	52,770	46,266
Others	31,727	66,176	45,659
Total	95,754	129,688	102,126

42. INCOME TAX EXPENSE

(1) Income tax expenses are as follows (Unit: Korean Won in millions):

	For the years ended December 31		
	2013	2014	2015
Current tax expense			
Current tax expense in respect of the current year	170,478	514,819	362,552
Adjustments recognized in the current period in relation to the current tax of prior periods	(3,625)	(3,750)	(27,038)
Sub-total	166,853	511,069	335,514
Deferred tax expense			
Deferred tax expense (benefit) relating to the origination and reversal of temporary differences	457,450	(665,974)	44,884
Less: Deferred tax charged directly to other comprehensive income	(1,647)	8,923	(3,844)
Sub-total	455,803	(657,051)	41,040
Income tax expense	622,656	(145,980)	376,554
Income tax expense for continuing operations	35,096	288,195	376,554
Income tax expense for discontinued operations	587,560	(434,175)	

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(2) Income tax expense (benefit) can be reconciled to net income (loss) before income tax expense as follows (Unit: Korean Won in millions):

	For the years ended December 31		
	2013	2014	2015
Net income (loss) before income tax expense	(90,779)	1,061,988	1,451,946
Income from continuing operations before income tax	287,667	834,395	1,451,946
Income (loss) from discontinued operations before income tax	(378,446)	227,593	
Tax calculated at statutory tax rate ^(*1)	(22,432)	256,540	350,909
Adjustments			
Effect of income that is exempt from taxation	(85,051)	(45,528)	(56,247)
Effect of expense that is not deductible in determining taxable profit	57,713	342,057	50,152
Effect from the recognition of loss carry-forward and net taxable differences due to investments in subsidiaries and joint ventures that has not been recognized in the previous periods ^(*2)	669,595		
Net taxable differences due to investments in subsidiaries ^(*2)		(606,908)	
Adjustments recognized in the current period in relation to the current tax of prior periods	(3,625)	(3,750)	(27,038)
Others	6,456	(88,391)	58,778
Sub-total	645,088	(402,520)	25,645
Income tax expense (benefit)	622,656	(145,980)	376,554
Income tax expense for continuing operations	35,096	288,195	376,554
Income tax expense (benefit) for discontinued operations	587,560	(434,175)	
Effective tax rate			
Effective tax rate for continuing operations	12.2%	34.54%	25.93%
Effective tax rate for discontinued operations ^(*3)			

(*1) Applicable income tax rate; 1) 11% for below 200 million Won, 2) 22% for from 200 million Won to 20 billion Won, 3) 24.2% for above 20 billion Won.

(*2) Woori Finance Holdings Co., Ltd. was exempted from payment of sales tax in relation with the spin-off of Kyongnam Bank Co., Ltd. and Kwangju Bank Co., Ltd. in accordance with the Restriction of Special Taxation Act as amended on March 14, 2014. Thus, the related deferred tax liabilities were reversed.

(*3) The effective tax rate was not calculated since the income tax expense was negative.

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(3) Deferred tax assets and liabilities are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2013					
	Beginning balance	Recognized as income (loss)	Recognized as other comprehensive income (loss)	Classified into disposal group held for sale	Classified into disposal group held for distribution to owners	Ending balance
Gain (loss) on financial assets at FVTPL	238,074	25,061		(31,882)	1,474	232,727
Gain (loss) on available-for-sale financial assets	(112,225)	10,338	3,201	45,852	(24,018)	(76,852)
Gain (loss) on valuation using the equity method of accounting	52,311	86,776	1,096	(20,651)	2,374	121,906
Gain (loss) on valuation of derivatives	(58,273)	23,495	93	(2,721)	142	(37,264)
Accrued income	(153,398)	3,784		22,662	61,255	(65,697)
Allowance for loan loss	(7,842)	(61,499)		(274)		(69,615)
Loan and receivables written off	10,612	(85)		(332)		10,195
Loan origination costs and fees	(73,259)	(23,926)		16,914	8,459	(71,812)
Defined benefit liability	110,879	33,992	428	(12,949)	(24,852)	107,498
Deposits with employee retirement insurance trust	(93,912)	(44,330)	895	12,554	24,887	(99,906)
Provision for guarantee	80,149	15,232			(3,977)	91,404
Other provision	101,329	(5,749)		(3,867)	(52,918)	38,795
Investments in joint ventures and associates		(508,758)	(23,508)	(74,643)	606,909	
Others	(73,487)	(10,134)	16,148	14,755	(22,510)	(75,228)
Net deferred tax assets	20,958	(455,803)	(1,647)	(34,582)	577,225	106,151

	For the year ended December 31, 2014					
	Beginning balance (*)	Spin-off	Recognized as income (loss)	Recognized as other comprehensive income (loss)	Ending balance	
Gain (loss) on financial assets at FVTPL	232,727		190,183		422,910	
Gain (loss) on available-for-sale financial assets	(76,852)		(6,293)	(22,411)	(105,556)	
Gain (loss) on valuation using the equity method of accounting	121,906		(101,725)	975	21,156	
Gain (loss) on valuation of derivatives	(37,264)		(11,174)		(48,438)	
Accrued income	(65,697)		(9,397)		(75,094)	
Allowance for loan loss	(69,615)		10,187		(59,428)	
Loan and receivables written off	10,195		(3,274)		6,921	
Loan origination costs and fees	(71,812)		(16,664)		(88,476)	
Defined benefit liability	107,498		24,898	19,270	151,666	
Deposits with employee retirement insurance trust	(99,906)		(35,573)	5	(135,474)	
Provision for guarantee	91,404		(6,874)		84,530	
Other provision	38,795		(1,766)		37,029	
Investments in joint ventures and associates						
Others	(75,228)	(3,757)	115,766	(12,426)	24,355	
Disposal group held for sale/ held for distribution to owners	(542,643)	10,376				