WOORI BANK
Form 20-F
April 30, 2018
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As filed with the Securities and Exchange Commission on April 30, 2018

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, 2017

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 __________

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)

Jeong Soo Lee

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

Telephone No.: +82-2-2125-2110

Facsimile No.: +82-2-0505002-3080

(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	New York Stock Exchange
Common Stock, par value 5,000 per share	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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated Filer	Non-accelerated filer	Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term new or revised financial accounting standard refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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	Other

by the International Accounting Standards Board

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.

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 Co., Ltd. with and into Woori Bank in November 2014, 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 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;

- references to U.S. dollars, $ or US$ are to the currency of the United States; and

- references to Euros or EUR are to the currency of the European Economic and Monetary Union.

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, 2017, which was 1,067.4 = 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, intend, may, objective, plan, positioned, predict, project, risk, seek to, shall, should, will like 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 3.D. Risk Factors, Item 4.B. 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 3.D. 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.

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 3.D. 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 3.A. *Selected Financial Data*

The selected consolidated financial and operating data set forth below as of and for the years ended December 31, 2013, 2014, 2015, 2016 and 2017 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, 2013, 2014, 2015, 2016 and 2017 have been audited by Deloitte Anjin LLC, an independent registered public accounting firm.

The Korean government, which currently owns 18.43% 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 and have been accounted for as discontinued operations in our consolidated statements of comprehensive income for the years ended December 31, 2013 and 2014. See Item 4.A. 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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Consolidated Statement of Comprehensive Income Data

	Year ended December 31,					
	2013[1]	2014[1]	2015	2016	2017	2017[2]
	(in billions of Won except per share data)					(in millions of US$ except per share data)
Interest income	9,493	9,211	8,698	8,512	8,551	US$ 8,011
Interest expense	(5,001)	(4,718)	(3,936)	(3,492)	(3,330)	(3,120)
Net interest income	4,492	4,493	4,762	5,020	5,221	4,891
Fees and commissions income	1,565	1,598	1,757	1,865	2,069	1,939
Fees and commissions expense	(639)	(681)	(781)	(928)	(999)	(936)
Net fees and commissions income	926	917	976	937	1,070	1,003
Dividend income	88	97	103	185	125	117
Net gain (loss) on financial assets at fair value through profit or loss	124	190	240	114	(105)	(98)
Net gain (loss) on available-for-sale financial assets	(85)	(69)	(3)	(1)	193	180
Impairment losses due to credit loss	(2,277)	(1,097)	(966)	(834)	(785)	(736)
Net other operating expenses[3]	(3,028)	(3,633)	(3,761)	(3,847)	(3,562)	(3,337)
Operating income	240	898	1,351	1,574	2,157	2,020
Share of loss of joint ventures and associates	(1)	(68)	(70)	(20)	(101)	(95)
Other net non-operating income (expense)	49	4	171	(1)	(106)	(99)
Non-operating income (loss)	48	(64)	101	(21)	(207)	(194)
Net income before income tax expense	288	834	1,452	1,553	1,950	1,826
Income tax expense	(35)	(288)	(377)	(276)	(420)	(393)
Net income from continuing operations	253	546	1,075	1,277	1,530	1,433
Net income (loss) from discontinued operations	(966)	662				
Net income (loss)	(713)	1,208	1,075	1,277	1,530	US$ 1,433
Remeasurement of the net defined benefit liability	9	(52)	(78)	34	10	10
	9	(52)	(78)	34	10	10

Items that will not be reclassified to profit or loss							
Gain (loss) on available-for-sale financial assets	(51)	(75)	72	13	(85)		(79)
Share of other comprehensive income (loss) of joint ventures and associates	(6)	(2)	3	(8)	1		1
Gain (loss) on foreign currency translation of foreign operations	(60)	48	34	29	(208)		(196)
Gain (loss) on valuation of cash flow hedge	(2)	(27)		10	1		1
Equity related to assets held for sale					4		4
Items that may be reclassified to profit or loss	(119)	(56)	109	44	(287)		(269)
Other comprehensive gain (loss), net of tax	(110)	(108)	31	78	(277)		(259)
Total comprehensive income (loss)	(823)	1,100	1,106	1,355	1,253	US$	1,174
Net income (loss) attributable to owners	(538)	1,214	1,059	1,261	1,512	US$	1,417
Income from continuing operations	162	435	1,059	1,261	1,512		1,417
Income (loss) from discontinued operations	(700)	779					
Net income (loss) attributable to non-controlling interests	(175)	(6)	16	16	18	US$	16
Income from continuing operations	91	111	16	16	18		16
Loss from discontinued operations	(266)	(117)					
Comprehensive income (loss) attributable to owners	(623)	1,192	1,095	1,332	1,249		1,170
Comprehensive income (loss) attributable to non-controlling interests	(200)	(92)	11	23	4		4
Basic and diluted earnings (loss) from continuing and discontinued operations per share	(704)	1,621	1,301	1,567	1,999	US$	1.873
Basic and diluted earnings from continuing operations per share	165	536	1,301	1,567	1,999		1.873
Per common share data:							
Net income (loss) per share basic	(704)	1,621	1,301	1,567	1,999	US$	1.873
Weighted average common shares outstanding basic (in thousands)	806,013	718,265	673,271	673,271	673,271		673,271
Net income (loss) per share diluted	(704)	1,621	1,301	1,567	1,999	US$	1.873
Weighted average common shares outstanding diluted (in thousands)	806,013	718,265	673,271	673,271	673,271		673,271
Cash dividends paid per share		500	500	400	500	US$	0.47

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

(2) Won amounts are expressed in U.S. dollars at the rate of 1,067.4 to US$1.00, the noon buying rate in effect on December 31, 2017 as quoted by the Federal Reserve Bank of New York in the United States.

(3) Includes general and administrative expenses. For a description of net other operating expenses, see Note 40 of the notes to our consolidated financial statements.

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Consolidated Statement of Financial Position Data

	As of December 31,					
	2013(1)	**2014**	**2015**	**2016**	**2017**	**2017(2)**
	(in billions of Won)					(in millions of US$)
Assets						
Cash and cash equivalents	5,478	5,963	6,644	7,591	6,908	US$ 6,472
Financial assets at fair value through profit or loss	4,806	4,554	5,133	5,651	5,843	5,474
Available-for-sale financial assets	17,085	18,811	17,171	20,818	15,353	14,383
Held-to-maturity financial assets	12,039	13,044	13,622	13,910	16,749	15,691
Loans and receivables	211,912	223,370	244,842	258,393	267,106	250,235
Investments in joint ventures and associates	618	648	644	439	417	391
Investment properties	341	358	351	358	371	348
Premises and equipment	2,536	2,501	2,471	2,458	2,478	2,321
Intangible assets and goodwill	269	296	420	484	519	486
Assets held for sale	1	8	18	2	49	46
Current tax assets	143	5	7	6	5	4
Deferred tax assets	155	258	210	232	280	263
Derivative assets	131	196	183	141	59	56
Other assets(3)	179	145	143	200	158	148
Disposal group held for sale	34,685					
Disposal group held for distribution to owners	50,312					
Total assets	340,690	270,157	291,859	310,683	316,295	US$ 296,318
Liabilities						
Financial liabilities at fair value through profit or loss	2,507	2,675	3,461	3,803	3,428	US$ 3,211
Deposits due to customers	175,324	188,516	209,142	221,020	234,695	219,871
Borrowings	18,232	17,708	20,034	18,770	14,785	13,851
Debentures	21,678	24,796	21,899	23,566	27,869	26,110
Provisions	685	692	517	429	410	385
Net defined benefit liability	72	75	99	65	43	41
Current tax liabilities	10	299	109	171	233	218
Deferred tax liabilities	49	22	19	22	23	21
Derivative liabilities	2			7	68	63
Other financial liabilities(4)	19,914	16,890	16,964	21,985	13,892	13,015
Other liabilities(5)	410	391	305	299	284	266
Liabilities directly associated with disposal group held for sale	32,048					
	46,882					

Liabilities directly associated with disposal group held for distribution to owners						
Total liabilities	317,813	252,064	272,549	290,137	295,730	US$ 277,052
Equity						
Owners equity						
Capital stock	4,030	3,381	3,381	3,381	3,381	US$ 3,168
Hybrid securities	498	2,539	3,334	3,575	3,018	2,827
Capital surplus	177	291	294	286	286	268
Other equity[6]	(35)	(2,393)	(1,547)	(1,468)	(1,939)	(1,817)
Retained earnings	13,113	14,165	13,726	14,612	15,620	14,633
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	5,028	110	122	160	199	187
Total equity	22,877	18,093	19,310	20,546	20,565	US$ 19,266
Total liabilities and equity	340,690	270,157	291,859	310,683	316,295	US$ 296,318

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

(2) Won amounts are expressed in U.S. dollars at the rate of 1,067.4 to US$1.00, the noon buying rate in effect on December 31, 2017 as quoted by the Federal Reserve Bank of New York in the United States.

(3) For a description of other assets, see Notes 19 and 24 of the notes to our consolidated financial statements.

(4) For a description of other financial liabilities, see Note 25 of the notes to our consolidated financial statements.

(5) For a description of other liabilities, see Note 25 of the notes to our consolidated financial statements.

(6) For a description of other equity, see Note 30 of the notes to our consolidated financial statements.

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Profitability Ratios and Other Data

	Year ended December 31,				
	2013[1]	2014[1]	2015	2016	2017
	(in billions of Won except percentages)				
Return on average assets[2]	(0.22)%	0.47%	0.37%	0.41%	0.49%
Return on average equity[3]	(3.45)	6.74	5.62	6.26	7.25
Net interest spread[4]	1.83	1.72	1.67	1.65	1.69
Net interest margin[5]	1.94	1.82	1.74	1.71	1.74
Cost-to-income ratio[6]	59.30	68.38	66.22	66.48	60.79
Average equity as a percentage of average total assets	6.50	7.03	6.63	6.60	6.71
Total revenue[7]	11,185	11,027	10,795	10,675	10,833
Operating expense[8]	8,668	9,032	8,478	8,267	7,891
Operating margin[9]	2,517	1,995	2,317	2,408	2,942
Operating margin as a percentage of total revenue	22.50%	18.09%	21.46%	22.56%	27.16%

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

(2) 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.

(3) 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.

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

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

(6) 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.

(7) 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,				
	2013[a]	2014[a]	2015	2016	2017
	(in billions of Won)				
Interest income	9,493	9,211	8,698	8,512	8,551
Fees and commissions income	1,565	1,598	1,757	1,865	2,069
Dividend income	88	97	103	185	125
Net gain (loss) on financial assets at fair value through profit or loss	124	190	240	114	(105)
Net gain (loss) on available-for-sale financial assets	(85)	(69)	(3)	(1)	193

Total revenue	11,185	11,027	10,795	10,675	10,833

[(a)] The amounts for 2013 and 2014 exclude certain former subsidiaries classified as discontinued operations.

(8) Represents interest expense, fees and commissions expense and net other operating expense, excluding impairment losses due to credit loss of 2,277 billion, 1,097 billion, 966 billion, 834 billion and 785 billion for 2013, 2014, 2015, 2016 and 2017, respectively.

The following table shows how operating expense is calculated:

	Year ended December 31,				
	2013[(a)]	**2014[(a)]**	**2015**	**2016**	**2017**
	(in billions of Won)				
Interest expense	5,001	4,718	3,936	3,492	3,330
Fees and commissions expense	639	681	781	928	999
Net other operating expenses	3,028	3,633	3,761	3,847	3,562
Operating expense	8,668	9,032	8,478	8,267	7,891

[(a)] The amounts for 2013 and 2014 exclude certain former subsidiaries classified as discontinued operations.

(9) Represents total revenue less operating expense.

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Asset Quality Data

	As of December 31,				
	2013[1]	2014	2015	2016	2017
	(in billions of Won, except percentages)				
Total loans[2]	193,766	207,077	227,169	236,801	252,793
Total non-performing loans[3]	4,996	3,818	2,909	2,080	1,853
Other impaired loans not included in non-performing loans	690	692	339	335	374
Total non-performing loans and other impaired loans	5,685	4,510	3,248	2,415	2,227
Total allowance for credit losses	3,337	2,609	2,051	1,851	1,770
Non-performing loans as a percentage of total loans	2.58%	1.84%	1.28%	0.88%	0.73%
Non-performing loans as a percentage of total assets	1.47	1.41	1.00	0.67	0.59
Total non-performing loans and other impaired loans as a percentage of total loans	2.93	2.18	1.43	1.02	0.88
Allowance for credit losses as a percentage of total loans	1.72	1.26	0.90	0.78	0.70

(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 and other receivables, and prior to deducting allowance for credit losses and present value discount or reflecting deferred origination costs.

(3) 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 4.B. Business Overview Assets and Liabilities Asset Quality of Loans Loan Classifications.

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Selected Financial Information

Average Balances and Related Interest

The following tables show our average balances and interest rates for the past three years:

	Year ended December 31,								
	2015			2016			2017		
	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	12,483	81	0.65%	14,807	75	0.51%	15,594	83	0.53%
Loans(3)									
Commercial and industrial	95,241	3,502	3.68	98,202	3,220	3.28	95,349	3,141	3.29
Trade financing	13,762	200	1.45	13,159	213	1.62	12,155	240	1.97
Lease financing(4)				4			35	1	3.73
Other commercial	9,890	241	2.44	9,697	221	2.28	9,064	211	2.33
General purpose household(5)	59,003	2,147	3.64	61,918	2,111	3.41	66,420	2,287	3.44
Mortgage	34,770	1,113	3.20	45,007	1,323	2.94	47,545	1,405	2.96
Credit cards(2)	5,547	497	8.96	6,300	547	8.68	6,772	551	8.14
Total loans	218,213	7,700	3.53	234,287	7,635	3.26	237,340	7,836	3.30
Securities									
Trading	2,359	63	2.67	2,665	63	2.36	2,712	53	1.95
Investment(6)	29,513	808	2.74	31,348	700	2.23	32,881	548	1.67
Total securities	31,872	871	2.73	34,013	763	2.24	35,593	601	1.69
Other	10,707	46	0.43	11,157	39	0.35	11,164	31	0.28
Total average interest earning assets	273,275	8,698	3.18	294,264	8,512	2.89	299,691	8,551	2.85
Total average non-interest earning assets	10,892			11,289			11,104		
Total average assets	284,167	8,698	3.06%	305,553	8,512	2.79%	310,795	8,551	2.75%

	Year ended December 31,		
	2015	2016	2017

	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	8,376	43	0.51%	9,742	76	0.78%	8,319	52	0.63%
Time and savings deposits	168,212	2,573	1.53	181,073	2,166	1.20	186,277	2,008	1.08
Certificates of deposit	1,880	36	1.91	3,476	59	1.70	4,553	78	1.71
Other deposits	19,294	236	1.22	23,405	246	1.05	24,444	242	0.99
Total deposits	197,762	2,888	1.46	217,696	2,547	1.17	223,593	2,380	1.06
Borrowings	20,269	217	1.07	20,054	215	1.07	17,669	238	1.35
Debentures	23,232	708	3.05	22,988	619	2.69	25,865	639	2.47
Other	19,283	123	0.64	19,994	111	0.56	19,037	73	0.38
Total average interest-bearing liabilities	260,546	3,936	1.51	280,732	3,492	1.24	286,164	3,330	1.16
Total average non-interest-bearing liabilities	4,787			4,663			3,767		
Total average liabilities	265,333	3,936	1.48	285,395	3,492	1.22	289,931	3,330	1.15
Total average equity	18,834			20,158			20,864		
Total average liabilities and equity	284,167	3,936	1.39%	305,553	3,492	1.14%	310,795	3,330	1.07%

(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.

(3) Not including other receivables, and prior to deducting allowance for credit losses and present value discount or reflecting deferred origination costs.
(4) Includes automobile lease financing to consumer borrowers.
(5) Includes home equity loans.
(6) 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 2016 compared to 2015 and 2017 compared to 2016. 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.

	2016 vs. 2015 Increase/(decrease) due to changes in			2017 vs. 2016 Increase/(decrease) due to changes in		
	Volume	Rate	Total	Volume	Rate	Total
	(in billions of Won)					
Interest-earning assets						
Due from banks	15	(21)	(6)	4	4	8
Loans[1]						
Commercial and industrial	109	(391)	(282)	(94)	15	(79)
Trade financing	(9)	22	13	(16)	43	27
Lease financing[2]				1		1
Other commercial	(5)	(15)	(20)	(14)	4	(10)
General purpose household[3]	106	(142)	(36)	154	22	176
Mortgage	328	(118)	210	75	7	82
Credit cards	67	(17)	50	41	(37)	4
Securities						
Trading	8	(8)		1	(11)	(10)
Investment[4]	50	(158)	(108)	34	(186)	(152)
Other	2	(9)	(7)		(8)	(8)
Total interest income	671	(857)	(186)	186	(147)	39
Interest-bearing liabilities						
Deposits due to customers						
Demand deposits	7	26	33	(11)	(13)	(24)
Time and savings deposits	197	(604)	(407)	62	(220)	(158)
Certificates of deposit	30	(7)	23	18	1	19
Other deposits	50	(40)	10	11	(15)	(4)
Borrowings	(2)		(2)	(26)	49	23
Debentures	(7)	(82)	(89)	77	(57)	20
Other	5	(17)	(12)	(5)	(33)	(38)

Total interest expense	280	(724)	(444)	126	(288)	(162)
Net interest income	391	(133)	258	60	141	201

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

(2) Includes automobile lease financing to consumer borrowers.

(3) Includes home equity loans.

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

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Exchange Rates

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, 2017, which was 1,067.4 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 20, 2018, the noon buying rate was 1,071.0 = US$1.00.

	Won per U.S. dollar (noon buying rate)			
	Low	**High**	**Average[1]**	**Period-End**
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
2016	1,090.0	1,242.6	1,159.3	1,203.7
2017	1,067.4	1,207.2	1,129.0	1,067.4
October	1,115.7	1,146.2	1,130.9	1,115.7
November	1,079.3	1,120.0	1,099.8	1,084.8
December	1,067.4	1,094.6	1,082.9	1,067.4
2018 (through April 20)	1,054.6	1,093.0	1,070.0	1,071.0
January	1,057.6	1,073.6	1,065.6	1,068.3
February	1,065.3	1,093.0	1,078.5	1,082.1
March	1,060.3	1,081.3	1,069.9	1,061.0
April (through April 20)	1,054.6	1,071.6	1,065.2	1,071.0

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 3.B. ***Capitalization and Indebtedness***

Not Applicable

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

Not Applicable

Item 3.D. ***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 67,115 billion, or 29.5% of our total loans, as of December 31, 2015, 68,434 billion, or 28.9% of our total loans, as of December 31, 2016 and 74,906 billion, or 29.6% of our total loans, as of December 31, 2017. As of December 31, 2017, Won-denominated loans to small- and medium-sized enterprises that were classified as substandard or below were 595 billion, representing 0.8% of such loans to those enterprises. See Item 4.B. Business Overview Corporate Banking Small and Medium-Sized Enterprise Banking. We recorded charge-offs of 325 billion in respect of our Won-denominated loans to small- and medium-sized enterprises in 2017, compared to charge-offs of 469 billion in 2016 and 472 billion in 2015. According to data compiled by the Financial Supervisory Service, the industry-wide delinquency ratios for Won-denominated loans to small- and medium-sized enterprises decreased in 2016 and 2017. 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 1.4% as of December 31, 2015, 0.9% as of December 31, 2016 and 0.5% as of December 31, 2017. Our delinquency ratio may increase in 2018 as a result of, among other things, adverse changes in economic conditions in Korea and globally. See Other risks relating to our business Unfavorable changes 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, 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 2018 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 126 billion as of December 31, 2017, which represented 0.17% 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 by fluctuations in the Korean and global economy to a greater extent than large corporate borrowers. 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 changes in domestic and global economic conditions, as well as aggressive marketing and competition among banks to lend to this segment, may lead to a deterioration in the asset quality of our loans to this segment in the future. Any such deterioration would result in increased charge-offs, 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.

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

As of December 31, 2017, the total amount of loans provided by us to construction, shipbuilding and shipping companies in Korea amounted to 4,154 billion, 513 billion and 452 billion, or 1.6%, 0.2% and 0.2% of our total loans, respectively. We also have other exposures to Korean construction, shipbuilding and shipping 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 construction companies, we have potential exposure 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. 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.

Although the construction industry in Korea has shown signs of recovery since 2015, excessive investment in residential property development projects, the recent strengthening of mortgage lending regulations by the Korean government, stagnation of real property prices and reduced demand for residential property in areas outside of Seoul, are expected to continue to negatively impact the construction industry. The shipbuilding industry in Korea has experienced a severe downturn in recent years reflecting a significant decrease in ship orders, primarily due to adverse conditions in the global economy and the resulting slowdown in global trade. In the case of shipping companies in Korea, reduced shipping rates and high chartering costs, together with the slowdown in global trade, have contributed to the deterioration of their financial condition, requiring some of them to file for bankruptcy or pursue voluntary restructuring of their debt.

In response to the deteriorating financial condition and liquidity position of borrowers in the Korean construction, shipbuilding and shipping industries, which were disproportionately impacted by adverse domestic and global economic developments, the Korean government implemented a program in 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 2017, 25 companies with outstanding debt of 50 billion or more (eight of which were construction companies and three of which were shipbuilding 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, shipbuilding and shipping industries.

The allowance for credit losses that we have established against our credit exposures to Korean construction, shipbuilding and shipping companies may not be sufficient to cover all future losses arising from these and other exposures. If the credit quality of our exposures to such companies declines further, 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, shipbuilding and shipping companies are secured by collateral, such collateral may not be sufficient to cover uncollectible amounts in respect of such loans.

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, 2017, our 20 largest exposures to corporate borrowers (including loans, debt and equity securities, credit-related commitments and other exposures) totaled 47,540 billion, which represented 12.5% 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 6,610 billion and loans in Won of 1,420 billion, representing 2.1% of our total exposures in the aggregate. Aside from exposure to the Korean government and government-related agencies, our next largest exposure was to Samsung Electronics, to which we had outstanding exposure of 2,479 billion representing 0.7% 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 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 as of December 31, 2017, five were to companies that were members of the 24 largest *chaebols* in Korea. As of that date, the total amount of our exposures to the 24 largest *chaebols* was 25,092 billion, or 6.6% of our total exposures. If the credit quality of our exposures to *chaebols* declines as a result of financial difficulties they experience or for other reasons, we could incur additional provisions for credit loss, which would hurt our results of operations and financial condition. See Item 4.B. 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.

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, 2017, our credit exposures to companies that were in workout or corporate restructuring amounted to 648 billion or 0.2% of our total credit exposures, of which 528 billion or 81.5% 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 249 billion, or 38.4% 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, 2017 to companies in workout or restructuring amounted to 656 billion, or 0.2% 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 93,448 billion as of December 31, 2015, 104,484 billion as of December 31, 2016 and 109,290 billion as of December 31, 2017. Our credit card portfolio amounted to 6,099 billion as of December 31, 2015, 6,674 billion as of December 31, 2016 and 6,827 billion as of December 31, 2017. As of December 31, 2017, our consumer loans and credit card receivables represented 43.2% and 2.7% of our total lending, respectively. See Item 4.B. Business Overview Consumer Banking Lending Activities and Item 4.B. Business Overview Credit Cards Products and Services.

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The growth in our consumer loan portfolio in recent years, together with adverse changes in 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 345 billion (or 0.4% of our consumer loan portfolio) as of December 31, 2015, 305 billion (or 0.3% of our consumer loan portfolio) as of December 31, 2016 and 276 billion (or 0.3% of our consumer loan portfolio) as of December 31, 2017. We charged off consumer loans amounting to 147 billion in 2017, as compared to 155 billion in 2016 and 240 billion in 2015, and recorded provisions for credit loss in respect of consumer loans of 152 billion in 2017, as compared to 77 billion in 2016 and 103 billion in 2015. 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 24,179 billion, or 25.9% of our total outstanding consumer loans, as of December 31, 2015, 27,113 billion, or 25.9% of our total outstanding consumer loans, as of December 31, 2016 and 31,108 billion, or 28.5% of our total outstanding consumer loans, as of December 31, 2017.

In our credit card segment, outstanding balances overdue by more than one month amounted to 97 billion, or 1.6% of our credit card receivables, as of December 31, 2015, 80 billion, or 1.2% of our credit card receivables, as of December 31, 2016 and 88 billion, or 1.3% of our credit card receivables, as of December 31, 2017. In line with industry practice, we have restructured a portion of our delinquent credit card account balances as loans. As of December 31, 2017, these restructured loans amounted to 131 billion, or 1.9% 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 3.1% of our credit card balances as of December 31, 2017. We charged off credit card balances amounting to 228 billion in 2017, as compared to 242 billion in 2016 and 198 billion in 2015, and recorded provisions for credit loss in respect of credit card balances of 204 billion in 2017, as compared to 207 billion in 2016 and 181 billion in 2015. Delinquencies may increase in the future as a result of, among other things, adverse economic conditions in Korea, 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 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. See Risks relating to Korea Unfavorable financial and economic developments in Korea may have an adverse effect on us.

In addition, we are exposed to changes in regulations and policies on consumer lending by the Korean government, which may adopt measures to restrict consumer lending or encourage financial institutions to provide financial support to certain types of retail borrowers. In 2014 and 2015, the Korean government implemented 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 portfolio of consumer loans. However, the Korean government introduced measures in the second half of 2016 and 2017 to tighten regulations on mortgage lending and housing subscription in response to the rapid growth in consumer debt and concerns over speculative investments in real estate in certain areas. A decrease in housing prices as a result of the implementation of such measures, together with the high level of consumer debt and rising interest rate levels, could result in declines in consumer spending and reduced economic growth, which may lead to increases in delinquency levels of our consumer loan and credit card portfolios.

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. Under the pre-workout program, which has been in operation since April 2009, maturity extensions and/or interest reductions

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are provided to 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 or for retail borrowers with an annual income of 40 million or less who have been in arrears on their payments for 30 days or more on an aggregate basis for the 12 months prior to their application, among others. The aggregate amount of consumer credit (including credit card receivables) we provided which became subject to the pre-workout program in 2017 was 32 billion. While we believe that our operation of the pre-workout program has not had a material impact on the overall credit quality of our consumer loan and credit card portfolios to date, 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% of the appraised value of collateral) and to periodically re-appraise our collateral, a downturn in the real estate markets in Korea may result in a decline in the value of the collateral securing our mortgage and home equity loans. If collateral values decline in the future, they may not be sufficient to cover uncollectible amounts in respect of our secured loans. Any 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.

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 (representing 5.9% of our outstanding common stock) in a private sale in Korea. In addition, in December 2016 and January 2017, the KDIC sold an aggregate of 200,685,395 shares of our common stock (representing 29.7% of our outstanding common stock) in stakes ranging from 3.7% to 6.0% to seven financial companies through a bidding process. Pursuant to a commitment made by the KDIC in connection with such bidding process, five persons, each nominated by one of the winning bidders, were elected as new outside directors at an extraordinary general meeting of our shareholders held in December 2016. See Item 6.A. Directors and Senior Management Board of Directors Outside Directors. In 2017, pursuant to a series of transactions related to call options previously granted in connection with the KDIC s sale of our common stock in December 2014, the KDIC sold an aggregate of 19,852,364 shares of our common stock (representing 2.94% of our outstanding common stock). As a result of such transactions, the KDIC s ownership interest in us was reduced to 18.43%. 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 4.A. 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, the KDIC s sale of a combined 29.7% ownership interest in us to seven financial companies 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 KDIC s sale of its ownership interest in us to a small number of third parties may affect our business, management, strategy, capital structure and assets and liabilities and lead to diversion of management attention, a loss of customers and labor unrest. 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 depositary shares, or ADSs, and your interests as a shareholder.

We may not be able to successfully execute our overseas expansion strategy.

As part of our business strategy, we have been seeking opportunities to expand our operations in markets outside Korea, including through the opening of additional overseas branches and offices as well as strategic acquisitions and investments, particularly in South and Southeast Asia. For example, in October 2016, we acquired a 51% equity interest in Wealth Development Bank Corp., a thrift bank in the Philippines. In November 2016, we established a local subsidiary in Vietnam, Woori Bank Vietnam, which commenced operations in January 2017 and currently operates the branches in Hanoi, Bac Ninh and Ho Chi Minh City that we previously operated directly. In July 2017, we expanded our network of branches to India, where we established branches in Gurgaon and Mumbai. Notwithstanding the foregoing, the expansion of our operations abroad may be difficult due to the presence of established competitors in the relevant local markets. In addition, overseas expansion and the management of international operations may require significant financial expenditures as well as management attention, and will subject us to the challenges of operating in an unfamiliar business environment with different regulatory, legal and taxation systems and political, economic and social risks. Accordingly, there is no guarantee that we will be successful in executing our overseas expansion strategy. The failure of our overseas expansion strategy could have an adverse impact on our business, results of operations and financial condition.

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.

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, general regulatory reforms in the Korean financial industry have increased competition among banks and other 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. Moreover, in March 2016, the Financial Services Commission introduced an individual savings account scheme in Korea, which enables individuals to efficiently manage a wide range of retail investment vehicles, including cash deposits, investment funds and securities investment products, from a single integrated account with one financial institution and offers tax benefits on investment returns. Since the scheme backed by the Korean government allows only one individual savings account per person, financial institutions have been competing to retain existing customers and attract new customers since the launch of the individual savings account scheme. Over 30 financial

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institutions, including banks, securities companies and insurance companies, have registered with the Financial Services Commission to sell their individual savings account products, and competition among these financial institutions is expected to remain intense.

Furthermore, the introduction of Internet-only banks in Korea is expected to increase competition in the Korean banking industry. Internet-only banks generally operate without branches and conduct most of their operations through electronic means, which enable them to minimize costs and offer customers higher interest rates on deposits or lower lending rates. In April 2017, K bank, the first Internet-only bank in Korea, in which we own 13.8% of the equity with voting rights, commenced operations. Kakao Bank, a mobile-only bank, commenced operations in July 2017.

Moreover, a number of significant mergers and acquisitions in the financial industry have taken place in Korea in recent years, including Hana Financial Group s acquisition of a controlling interest in Korea Exchange Bank in 2012, the subsequent merger of Hana Bank into Korea Exchange Bank in 2015, KB Financial Group s acquisition of Hyundai Securities Co., Ltd. in 2016 and the subsequent merger of Hyundai Securities with and into KB Investment & Securities Co., Ltd. in 2016. In 2016, Mirae Asset Securities Co., Ltd. acquired a 43% interest in KDB Daewoo Securities Co., Ltd., which changed its name to Mirae Asset Daewoo Securities Co., Ltd., and subsequently merged with and into Mirae Asset Daewoo Securities to create the largest securities company in Korea in terms of capital. Furthermore, 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 4.A. History and Development of the Company Privatization Plan.

We expect that consolidation in the Korean 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. We also believe that foreign financial institutions, many of which have greater experience and resources than we do, may seek to compete with us in providing financial products and services either by themselves or in partnership with existing Korean financial institutions. 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.

Other risks relating to our business

Unfavorable changes in the global financial markets could adversely affect our results of operations and financial condition.

The overall prospects for the Korean and global economy in 2018 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 Latin America and Europe;

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

interest rate fluctuations as well as the possibility of further 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, including Syria, Iraq and Egypt, as well as the referendum in the United Kingdom in June 2016, in which a majority of voters voted in favor of an exit from the European Union, or Brexit.

In light of the high level of interdependence of the global economy, unfavorable changes in the global financial markets, including as a result of 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 the 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 3.A. Selected Financial Data Exchange Rates. A depreciation of the Won will increase our cost 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 changing global and Korean economic conditions, there has been 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.

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, 2017, the aggregate amount of assets we had provided as collateral for our secured borrowings was 9,693 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.

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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. The Bank of Korea further reduced its policy rate to 1.50% in 2015 and again to an unprecedented 1.25% in June 2016 amid deflationary concerns and interest rate cuts by central banks around the world. However, in November 2017, the Bank of Korea increased its policy rate to 1.50% in light of improved growth prospects in Korea and rising interest rate levels globally. All else being equal, further increases 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 rates would increase the interest costs of our consumer and corporate borrowers and will adversely affect their ability to make payments on their outstanding loans.

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, 2017, approximately 95.8% 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 5.B. 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.

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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, 2017, 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 Bank of Korea, the Korea Development Bank, the Korea Housing Finance Corporation and the Industrial Bank of Korea, among others) with a total book value of 2,008 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, as of December 31, 2017, we were required to maintain a total minimum Tier I common equity capital adequacy ratio of 6.25%, Tier I capital adequacy ratio of 7.75% and combined Tier I and Tier II capital adequacy ratio of 9.75%, on a consolidated basis (including applicable additional capital buffers and requirements as described below). As of December 31, 2017, our Tier I common equity capital, Tier I capital and combined Tier I and Tier II capital ratios were 10.95%, 13.03% and 15.40%, respectively, which exceeded the minimum levels required by the Financial Services Commission. 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) 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 1.25% in 2017 and 1.875% in 2018, with such buffer to increase to 2.5% in 2019, as well as a potential counter-cyclical capital buffer of up to 2.5%, which is determined on a quarterly basis by the Financial Services Commission. Furthermore, we were designated as one of six domestic systemically important banks for 2017 by the Financial Services Commission and were subject to an additional capital requirement of 0.5% in 2017. In June 2017, we were again designated as a domestic systemically important bank for 2018, which would subject us to an additional capital requirement of 0.75% in 2018, with such potential requirement to increase to 1.0% in 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 4.B. 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.

The application of IFRS 9 Financial Instruments commencing in 2018 could adversely impact our reported results of operations and financial condition.

IFRS 9 *Financial Instruments*, or IFRS 9, issued by the IASB in July 2014, is a new IFRS accounting standard aimed at improving and simplifying the accounting treatment of financial instruments and is effective for annual periods beginning on or after January 1, 2018. IFRS 9, which replaces International Accounting Standard 39, *Financial Instruments: Recognition and Measurement*, requires financial assets to be classified and measured on the basis of an entity s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. A new impairment model is introduced which requires the calculation of allowance for credit losses based on expected credit losses instead of incurred losses by assessing changes in expected credit losses and recognizing such changes as impairment loss (or reversal of impairment loss) in profit or loss. Also, hedge accounting rules are amended to extend to more hedging relationships and to allow more hedging instruments and hedged items to qualify for hedge accounting. The impact on our financial statements due to the application of IFRS 9 will depend on judgments made by us in applying the new standard, the nature of financial instruments held by us and macroeconomic variables.

We have performed an assessment of the financial impact of IFRS 9 on our consolidated financial statements. The application of IFRS 9 will result in higher impairment loss allowances that are recognized earlier, on a more forward-looking basis and on a broader scope of financial instruments than is the case under International Accounting Standard 39 and, as a result, will have a material impact on our reported financial condition. In addition, the move from incurred to expected credit losses will have the potential to impact our performance under stressed economic conditions or regulatory stress tests. In particular, the application of IFRS 9 will result in increases in allowance for credit losses and corresponding decreases in our retained earnings in our consolidated statement of financial position, which could also negatively impact our regulatory capital position. Measurement will require increased complexity in our impairment modeling as it will involve a greater degree of management judgment with respect to forward-looking information. We expect that impairment charges will tend to be more volatile as a result.

An effective implementation of IFRS 9 requires preparation processes including financial impact assessment, accounting policy establishment, accounting system development and system stabilization, and we have taken measures to enhance our financial analysis and impact assessment capabilities in preparation for IFRS 9. Nevertheless, the application of IFRS 9, as well as any other new or revised accounting standards we are required to adopt in the future, could result in significant additional costs and may have a material adverse effect on our reported results of operations and financial condition. For further information regarding IFRS 9, see Note 2-(1)-2) of the notes to our consolidated financial statements.

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. Non-U.S. persons generally are not automatically bound by OFAC sanctions, but to the extent they engage in transactions completed in part in the United States or through U.S. persons (such as, for example, wiring an international payment that clears through a bank branch in New York), they are required to comply with U.S. sanctions. 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 with respect to targeted entities in Iran. The United Nations Security Council and other governmental entities also impose similar sanctions.

The United States also maintains indirect sanctions, which we refer to collectively as U.S. secondary sanctions, which provide authority for the imposition of U.S. sanctions on foreign parties that engage in targeted transactions with no connection to U.S. jurisdiction. Secondary sanctions have been of increasing importance in recent years, particularly (but not only) with respect to Russia and Iran. Although many U.S. secondary sanctions (including those focused on the energy and banking sectors generally) were suspended following implementation of the 2015 Joint Comprehensive Plan of Action, or the JCPOA, between the five permanent United Nations Security Council members, Germany, and Iran, pursuant to which Iran agreed to limits on its nuclear program in return for sanctions relief, a number of U.S. secondary sanctions programs targeting Iran remain in place, as does a comprehensive ban on dealings with Iran under direct sanctions. 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.

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 the remaining 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 would include a prohibition on transactions or dealings within U.S. jurisdiction involving securities of the sanctioned company. Financial institutions engaging in targeted activity could in some instances 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 remaining U.S. secondary sanctions is not automatic, requiring further action by the U.S. administration.

In 2017, 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, as amended from time to time, 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 in use) that are used for the settlement of imports of crude oil and natural gas from Iran by Korean importers. By the terms of the service agreement 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 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 crude oil and natural 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. In 2017, the total fee revenue from maintaining the CBI accounts amounted to approximately 168 million (which represented approximately 0.002% 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 168 million (which represented approximately 0.009% 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 2017, our total fee revenue from such export-import financing services amounted to approximately 13.6 billion (which represented approximately 0.13% 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 4.4 billion (which represented approximately 0.23% 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. In 2017, there were nominal fee revenues from maintaining such deposit accounts, and there were no expenses directly applicable to such activities under our internal management accounts.

In May 2016, we established a new representative office in Tehran, Iran, which only engages in the collection of local market information and did not generate any revenue in 2017.

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 five permanent United Nations Security Council members and Germany, 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. Nevertheless, there is no guarantee that our activities relating to Iran will not be found to violate OFAC sanctions or involve sanctionable activity under the remaining U.S. secondary sanctions, or that any other government will not determine that our activities violate applicable sanctions of other countries. The Trump Administration has threatened to abandon the JCPOA, and the re-imposition or snap-back of previous U.S. sanctions (or imposition of new sanctions) could occur. While we do not expect that sanctions would be retroactively applied to activities properly engaged in while sanctions relief was in effect, it is possible that we would be forced to choose between breaching ongoing commitments or engaging in sanctionable activity. 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, or if any other government were to determine that our activities 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.

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We are cooperating with an investigation led by the U.S. Attorney s Office for the Southern District of New York and the New York State Office of the Attorney General on certain of our transactions involving sanctioned countries under the U.S. sanctions and other U.S. laws, by producing information and documents pursuant to the applicable laws and regulations. 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 operations may be subject to increasing and continually evolving cybersecurity and other technological risks.

With the proliferation of new technologies and the increasing use of the Internet and mobile devices to conduct financial transactions, our operations as a financial institution have been, and will continue to be, subject to an increasing risk of cyber incidents relating to these activities, the nature of which is continually evolving. Our computer systems, software and networks are subject to cyber incidents, such as disruptions, delays or other difficulties affecting our information technology systems, computer viruses or other malicious codes, loss or destruction of data (including confidential client information), unauthorized access, account takeover attempts and cyber attacks. A significant portion of our daily operations relies on our information technology systems, including customer service, billing, the secure processing, storage and transmission of confidential and other information as well as the timely monitoring of a large number of complex transactions. Although we have made substantial and continuous investments to build systems and defenses to address cybersecurity and other technological risks, there is no guarantee that such measures or any other measures can provide adequate security and stability. In addition, because methods used to cause cyber attacks change frequently or, in some cases, are not recognized until launched, we may be unable to implement effective preventive measures or proactively address these methods. Furthermore, these cyber threats may arise from human error, accidental technological failure and third parties with whom we do business. If we were to be subject to a system failure or other cyber incident, it could result in the disclosure of confidential client information, damage to our reputation with our customers and in the market, customer dissatisfaction, additional costs to us, regulatory penalties, exposure to litigation and other financial losses to both us and our customers, which could have an adverse effect on our business and results of operations.

Our business may be adversely affected by legal claims and regulatory actions against us.

We are subject to the risk of legal claims and regulatory actions, which may expose us to monetary damages and legal costs, injunctive relief, criminal and civil penalties, sanctions against our management and employees and regulatory restrictions on our operations, as well as reputational harm. See Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings.

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We are unable to predict the outcome of many of the legal claims and regulatory actions in which we are involved, and the scope of the claims or actions or the total amount in dispute in such matters may increase. Furthermore, adverse decisions, findings or resolutions in such matters could encourage other parties, including governmental authorities in other jurisdictions, to bring similar claims and actions against us. Accordingly, the outcome of current and future legal claims and regulatory actions, particularly those for which it is difficult to assess the maximum potential exposure or the ultimate adverse impact with any degree of certainty, may materially and adversely impact our business, reputation, results of operations and financial condition.

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.

The Korean regulatory authorities have imposed sanctions against Deloitte Anjin LLC, which may adversely affect its ability to continue to provide audit and related services to us and to satisfy any claims that may arise in relation to such services.

On April 5, 2017, the Financial Services Commission imposed sanctions against Deloitte Anjin LLC in connection with its role as the independent auditor for Daewoo Shipbuilding & Marine Engineering Co., Ltd., which was under investigation for alleged accounting irregularities. The sanctions included a prohibition against entering into new audit engagements for the year ending December 31, 2017 until April 5, 2018, a period of one year from the date of final determination of such sanctions. There are currently no restrictions on Deloitte Anjin s ability to bid for and enter into audit engagements for the fiscal year beginning January 1, 2018. We are not in a position to assess whether any additional damages will be imposed, including those resulting from related on-going civil proceedings against Deloitte Anjin LLC.

Our access to the capital markets and our ability to make timely filings with the U.S. Securities and Exchange Commission and the Financial Supervisory Service (including the filing of annual and quarterly business reports and any registration statements for public offerings of securities) could be impaired if, for whatever reason, Deloitte Anjin LLC is unable to perform required audit and related services for us. It is possible that events arising out of the aforementioned legal proceedings may adversely affect the ability of Deloitte Anjin LLC to complete its audit engagement with us or to satisfy any claims relating to its provision of audit and related services to us, including claims that may arise out of Deloitte Anjin LLC s audit of our consolidated financial statements included elsewhere in this annual report.

Risks relating to government regulation and policy

Strengthening of consumer protection laws applicable to financial institutions could adversely affect our operations.

As a financial service provider, we are subject to a variety of regulations in Korea that are designed to protect financial consumers. In recent years, in light of heightened public concern regarding privacy issues, the Korean government has placed greater emphasis on protection of personal information by financial institutions and has implemented a number of measures to enhance consumer protection. Under the Personal Information Protection Act, as last amended in July 2017, financial institutions, as personal information managers, may not collect, store, maintain, utilize or provide resident registration numbers of their customers, unless other laws or regulations specifically require or permit the management of resident registration numbers. In addition, under the Use and Protection of Credit Information Act, as last amended in November 2017, a financial institution has a higher duty to protect all information that it collects from its customers and is required to treat such information as credit information. A financial institution s ability to transfer or provide the information to its affiliates or holding company is considerably restricted. Treble damages may be imposed on a financial institution for leakage of such information. Furthermore, under the Electronic Financial Transaction Act, as last amended in July 2017, a financial institution is primarily responsible for compensating its customers harmed by a cyber security breach affecting the financial institution even if the breach is not directly attributable to the financial institution.

In June 2016, the Financial Services Commission proposed the enactment of the Act on the Financial Consumer Protection Framework, which was submitted to the Korean National Assembly in May 2017. If the Act is adopted as proposed, we as a financial instrument distributor will be subject to heightened investor protection measures, including stricter distribution guidelines, improved financial dispute resolution procedures, increased liability for customer losses and newly imposed penalty surcharges.

These and other measures that may be implemented by the Korean government to strengthen consumer protection laws applicable to financial institutions may limit our operational flexibility and cause us to incur significant additional compliance costs, as well as subject us to increased potential liability to our customers, which could adversely affect our business and performance.

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 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 such policies.

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 and adverse conditions in the Korean economy affecting such enterprises, 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.

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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.

Our income tax expenses may increase as a result of changes to Korean corporate income tax laws.

Pursuant to an amendment to the Corporate Income Tax Law of Korea which became effective in January 2018, the corporate income tax rate applicable to the portion of the tax base of companies that exceeds 300 billion has been raised from 24.2% to 27.5%, inclusive of local income surtax in each case. In addition, pursuant to an amendment to the Special Tax Treatment Control Law of Korea which became effective in January 2018, large corporations with net equity in excess of 50 billion, including us and certain of our subsidiaries, are subject to a 20% additional levy on the unused amount if a certain portion (i.e., 65% or 15%, depending on the taxation method) of their taxable income is not used for investments or wage increases. Such changes in Korean income tax laws may result in an increase in our and our subsidiaries income tax expenses, which, depending on the magnitude of such increase, may have a material adverse effect on our results of operations.

Risks relating to Korea

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

We are incorporated in Korea, and a substantial majority 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.

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 Unfavorable changes 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 3.A. Selected Financial Data Exchange Rates. Furthermore, as a result of changing 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

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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 the Korean economy include:

- adverse conditions or uncertainty 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, as well as increased uncertainty in light of a future Brexit;

- 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;

- 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 (such as the controversy between Korea and China, which is Korea s largest export market, regarding the deployment of a Terminal High Altitude Area Defense system in Korea by the United States in March 2017 and the ensuing economic and other retaliatory actions by China);

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

- the investigations of several Korean conglomerates and their senior management for bribery, embezzlement and other possible misconduct relating to the impeachment and dismissal of former President Park Geun-hye;

- a continuing rise in the level of household debt and increasing delinquencies and credit defaults by consumer or small- and medium-sized enterprise borrowers in Korea;

- declines in consumer confidence and a slowdown in consumer spending in the Korean or global economy;

- social and labor unrest;

- decreases in the market prices of Korean real estate;

- the economic impact of any pending or future free trade agreements or of any changes to existing free trade agreements;

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 (including those in the construction, shipbuilding and shipping sectors) and their suppliers;

loss of investor confidence arising from corporate accounting irregularities, allegations of corruption 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;

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

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 Middle East Respiratory Syndrome outbreak in Korea in 2015);

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

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

North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted six rounds of nuclear tests since October 2006, including claimed detonations of hydrogen bombs, which are more powerful than plutonium bombs, and warheads that can be mounted on ballistic missiles. Over the years, North Korea has also conducted a series of ballistic missile tests, including missiles launched from submarines and intercontinental ballistic missiles that it claims can reach the United States mainland. In response, the Korean government has repeatedly condemned the provocations and flagrant violations of relevant United Nations Security Council resolutions. In February 2016, the government also closed the inter-Korea Gaeseong Industrial Complex in response to North Korea s fourth nuclear test in January 2016. Internationally, the United Nations Security Council has passed a series of resolutions condemning North Korea s actions and significantly expanding the scope of sanctions applicable to North Korea, most recently in December 2017, in response to North Korea s intercontinental ballistic missile test in November 2017. Over the years, the United States and the European Union have also expanded their sanctions applicable to North Korea.

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 reinitiated 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.

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. Although a bilateral summit between the two Koreas was held on April 27, 2018 and there has been an announcement in March 2018 of a potential summit between the United States and 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 increased from 3.6% in 2015 to 3.7% in 2016 and 2017. 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 remaining ownership interest in us to one or more third parties, which may lead to labor unrest among our employees. See Item 4.A. 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

We or our major shareholders may sell shares of our common stock in the future, and such sales may adversely affect the market price of our common stock and ADSs and may dilute your investment and relative ownership interest in us.

We have no current plans for any public offerings of our common stock, ADSs or securities exchangeable for or convertible into such securities. However, it is possible that we may decide to offer or sell such securities in the future.

In addition, the KDIC currently owns 124,604,797 shares, or 18.43%, of our outstanding common stock, and IMM Private Equity, Inc., through its special purpose company Nobis1, Inc., currently owns 40,560,000 shares, or 6.00%, of our outstanding common stock. See Item 7.A. Major Shareholders. In the future, such major shareholders or any other shareholder that owns a large number of shares of our outstanding common stock may choose to sell large blocks of our common stock publicly or privately to a strategic or financial investor, including a sale by the KDIC for the purpose of recovering the public funds it injected into us. For example, in accordance with the Korean government s privatization plan, the KDIC sold 40,143,022 shares of our common stock (representing 5.9% of our outstanding common stock) in a private sale in Korea in December 2014 and an aggregate of 200,685,395 shares of our common stock (representing 29.7% of our outstanding common stock) in stakes ranging from 3.7% to 6.0% to seven financial companies through a bidding process in December 2016 and January 2017. In 2017, pursuant to a series of transactions related to call options previously granted in connection with the KDIC s sale of our common stock in December 2014, the KDIC sold an aggregate of 19,852,364 shares of our common stock (representing 2.94% of our outstanding common stock). As a result of such transactions, the KDIC s ownership interest in us was reduced to 18.43%. 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 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.

Any future offerings or sales by us of our common stock or ADSs or securities exchangeable for or convertible into such securities, significant sales of our common stock by a major shareholder, or the public perception that such an offering or sale may occur, could have an adverse effect on the market price of our common stock and ADSs. Furthermore, any offerings by us in the future of any such securities could have a dilutive impact on your investment and relative ownership interest in us.

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 4.B. 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 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 9.C. Markets Restrictions Applicable to Shares.

You will not have preemptive rights in some circumstances.

The Korean Commercial Code, 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

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U.S. Securities Act of 1933, as amended, or 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 a 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 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 2,476.33 on April 20, 2018. 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 10.D. 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 a substantial majority 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 4.A. *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.

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, and we are a commercial bank established under the laws of the Republic of Korea. 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 and listed ADSs representing its common stock on the New York Stock Exchange in September 2003.

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 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 were to fail to implement its business normalization plan or to meet financial targets specified in the plan, the KDIC had 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 was 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 would 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 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

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Woori Finance Holdings, pursuant to which their memoranda of understanding with the KDIC were terminated. See Privatization Plan. Our memorandum of understanding with the KDIC was terminated in December 2016 in connection with the reduction in its ownership of our common stock from a majority stake to a minority stake after its sale of an aggregate of 200,685,395 shares of our common stock in December 2016 and January 2017. The KDIC s current ownership interest in us is 18.43%. See Privatization Plan Sales of the KDIC s Ownership Interest.

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. 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 Merger with Woori Finance Holdings.

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 (formerly named Hanaro Merchant 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.

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.

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 79.9% equity interest, was renamed PT Bank Woori Saudara Indonesia 1906, Tbk and became our consolidated subsidiary.

In October 2016, we acquired a 51% equity interest in Wealth Development Bank Corp., a thrift bank in the Philippines with a network of 16 branches and approximately 300 employees, by purchasing newly issued shares for approximately US$21 million.

In November 2016, we established a local subsidiary in Vietnam, Woori Bank Vietnam, which commenced operations in January 2017.

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.

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 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 depositary 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.

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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.

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 are 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.

Sales of the KDIC s Ownership Interest

Pursuant to the Korean government s privatization plan, in December 2014, the KDIC sold 40,143,022 shares of our common stock (representing 5.9% of our outstanding common stock) in a private sale in Korea. In addition, in December 2016 and January 2017, the KDIC sold an aggregate of 200,685,395 shares of our common stock (representing 29.7% of our outstanding common stock) in stakes ranging from 3.7% to 6.0% to seven financial companies through a bidding process. Pursuant to a commitment made by the KDIC in connection with such bidding process, five persons, each nominated by one of the winning bidders, were elected as new outside directors at an extraordinary general meeting of our shareholders held in December 2016. See Item 6.A. Directors and Senior Management Board of Directors Outside Directors. In 2017, pursuant to a series of transactions related to call options previously granted in connection with the KDIC s sale of our common stock in December 2014, the KDIC sold an aggregate of 19,852,364 shares of our common stock (representing 2.94% of our outstanding common stock). As a result of such transactions, the KDIC s ownership interest in us was reduced to 18.43%. 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.

In December 2016, in connection with the KDIC s sale of shares of our common stock, we entered into an agreement with the KDIC, pursuant to which we are required to use our best efforts to cause an employee of the KDIC nominated by it to be appointed as our non-standing director, so long as the KDIC either (x) owns 10% or more of our total issued shares with voting rights or (y) owns more than 4% but less than 10% of our total issued shares with voting rights and remains our largest shareholder (other than the National Pension Service of Korea). See Item 10.C. Material Contracts.

Item 4.B. Business Overview

We are one of the largest commercial banks in Korea. 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 and individuals, as well as some of Korea s largest corporations. As of December 31, 2017, we had, on a consolidated basis, total assets of 316,295 billion, total liabilities of 295,730 billion and total equity of 20,565 billion.

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 36 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, 2017, we had approximately 280,129 small- and medium-sized enterprise borrowers.

Large and loyal retail customer base. With respect to our consumer banking operations, we have the third-largest deposit base among Korean commercial banks, and over 22.6 million retail customers, representing about half of the Korean adult population. Of these customers, over 9.2 million are active customers, meaning that they have a deposit account with us with a balance of at least 300,000 or have a loan account with us.

Extensive distribution and marketing network. We serve our customers primarily through one of the largest banking networks in Korea, comprising 876 branches and 5,952 ATMs and cash dispensers as of December 31, 2017. We also operate 10 dedicated corporate banking centers and 84 general managers for our large corporate customers and 1,009 relationship managers stationed at 726 branches (as well as 615 additional non-stationed employees who serve as relationship managers as needed) for our small- and medium-sized enterprise customers as of December 31, 2017. 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, 2017, our consolidated equity totaled 20.6 trillion, and our total capital adequacy ratio was 15.40%. 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. We benefit from our management team s extensive experience accumulated with us and our predecessors. In December 2017, Tae-Seung Sohn 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.

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 on par with 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, and 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 been steadily declining and was 0.73% as of December 31, 2017.

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. We have undertaken a series of reviews of our credit risk management procedures, as well as our risk management infrastructure, 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.

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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.

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. We have established a mobile financial service platform through the launch of the first mobile-only banking service in Korea called WiBee Bank in May 2015 and the additions of a mobile messenger application called WiBee Talk and a comprehensive membership point service called WiBee Members in January and July 2016, respectively. In addition, in April 2017, K bank, formed by a consortium with KT Corporation and 20 other companies, in which we own 13.8% of the equity with voting rights, launched its services to become the first Internet-only bank in Korea. K bank also offers its services through convenience stores and phone booths in addition to our ATMs.

We have also strengthened our alliances with information technology companies to provide innovative electronic payment methods, including Woori Samsung Pay with Samsung Electronics, which is a cardless ATM withdrawal system that utilizes smartphones. In August 2016, we commenced iris-scanning authentication at certain of our ATMs, which allows for cardless ATM withdrawals.

Expand presence in the global market. We have continuously expanded our overseas operations since our establishment of the first overseas branch of a Korean commercial bank in Tokyo in 1968. In December 2014, we became the first Korean bank to be involved in a merger with a listed overseas bank when our subsidiary PT. Bank Woori Indonesia merged with and into PT. Bank Himpunan Saudara 1906, which was renamed PT Bank Woori Saudara Indonesia 1906, Tbk. In October 2016, we acquired a 51% equity interest in Wealth Development Bank Corp., a thrift bank in the Philippines, and have partnered with Vicsal Development Corporation, an operator of department stores and supermarkets in the Philippines and another major shareholder of Wealth Development Bank Corp., to actively expand our base of local customers. In addition, in November 2016, we established a local subsidiary in Vietnam, Woori Bank Vietnam, which manages the local operations of our branches in Vietnam. In 2017, we expanded the scope of our operations in Myanmar, Indonesia