

WOORI BANK

Form 6-K

November 16, 2018

**This Report on Form 6-K is incorporated by reference into the prospectus included in the Registration Statement on Form F-4 of Woori Bank (File No. 333-226345).**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**

**PURSUANT TO RULE 13a-16 OR 15d-16**

**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of November 2018**

**Woori Bank**

**(Translation of Registrant's name into English)**

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

**(Address of principal executive offices)**

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

*Note:* Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

*Note:* Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submission to furnish a report or other document that the registration foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

**WOORI BANK AND SUBSIDIARIES****CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION****AS OF SEPTEMBER 30, 2018 AND DECEMBER 31, 2017**

|   | September 30,<br>2018 (*) | December 31,<br>2017 (*) |
|---|---------------------------|--------------------------|
|   | (Korean Won in millions)  |                          |
| <b>ASSETS</b>   |                           |                          |
| Cash and cash equivalents (Note 6)  | 6,004,504                 | 6,908,286                |
| Financial assets at fair value through profit or loss ( FVTPL ) (IFRS 9) (Notes 4, 7, 11, 12, 18 and 26)                      | 5,720,811                 |                          |
| Financial assets at FVTPL (IAS 39) (Notes 4, 7, 11, 12, 18 and 26)  |                           | 5,843,077                |
| Financial assets at financial assets at fair value through other comprehensive income ( FVTOCI ) (Notes 4, 8, 11, 12, and 18) | 16,167,617                |                          |
| Available-for-sale ( AFS ) financial assets (Notes 4,8,11,12 and 18)  |                           | 15,352,950               |
| Securities at amortized cost (Notes 4, 9, 11, 12 and 18)  | 19,121,604                |                          |
| Held to maturity ( HTM ) financial assets (Notes 4, 9, 11, 12 and 18)   |                           | 16,749,296               |
| Loans and other financial assets at amortized cost (Notes 4, 10, 11, 12, 18 and 44)   | 278,684,897               |                          |
| Loans and receivables (Notes 4,10,11,12,18 and 44)  |                           | 267,106,204              |
| Investments in joint ventures and associates (Note 13)  | 341,603                   | 417,051                  |
| Investment properties (Note 14)   | 382,389                   | 371,301                  |
| Premises and equipment (Notes 15 and 18)  | 2,438,294                 | 2,477,545                |
| Intangible assets and goodwill (Note 16)  | 620,195                   | 518,599                  |
| Assets held for sale (Note 17)  | 6,765                     | 48,624                   |
| Current tax assets  | 15,635                    | 4,722                    |
| Deferred tax assets   | 38,660                    | 280,130                  |
| Derivative assets (Held for hedging) (Notes 4,11,12 and 26)   | 13,716                    | 59,272                   |
| Other assets (Notes 19 and 44)  | 244,946                   | 158,404                  |
| <b>Total assets</b>   | <b>329,801,636</b>        | <b>316,295,461</b>       |
| <b>LIABILITIES</b>  |                           |                          |
| Financial liabilities at FVTPL (IFRS 9) (Notes 4, 11, 12, 20 and 26)  | 2,222,042                 |                          |
| Financial liabilities at FVTPL (IAS 39) (Notes 4, 11, 12, 20 and 26)  |                           | 3,427,909                |
| Deposits due to customers (Notes 4,11,21 and 44)  | 237,359,059               | 234,695,084              |
| Borrowings (Notes 4, 11, 12 and 22)   | 15,862,477                | 14,784,706               |
| Debentures (Notes 4, 11 and 22)   | 28,102,679                | 27,869,651               |
| Provisions (Notes 23, 43 and 44)  | 385,343                   | 410,470                  |
| Net defined benefit liability (Note 24)   | 112,520                   | 43,264                   |
| Current tax liabilities   | 223,280                   | 232,600                  |
| Deferred tax liabilities  | 18,785                    | 22,681                   |
| Derivative liabilities (Held for hedging) (Notes 4,11,12 and 26)  | 74,107                    | 67,754                   |
| Other financial liabilities (Notes 4,11,12, 25 and 44)  | 23,197,293                | 13,892,461               |
| Other liabilities (Notes 25 and 44)   | 332,155                   | 283,981                  |
| <b>Total liabilities</b>  | <b>307,889,740</b>        | <b>295,730,561</b>       |

(Continued)

**WOORI BANK AND SUBSIDIARIES****CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION****AS OF SEPTEMBER 30, 2018 AND DECEMBER 31, 2017 (CONTINUED)**

|                                     | September 30,<br>2018 (*) | December 31,<br>2017 (*) |
|-------------------------------------|---------------------------|--------------------------|
|                                     | (Korean Won in millions)  |                          |
| <b>EQUITY</b>                       |                           |                          |
| Owners equity:                      | 21,703,016                | 20,365,892               |
| Capital stock (Note 28)             | 3,381,392                 | 3,381,392                |
| Hybrid securities (Note 29)         | 3,161,963                 | 3,017,888                |
| Capital surplus (Note 28)           | 285,887                   | 285,880                  |
| Other equity (Note 30)              | (2,158,221)               | (1,939,274)              |
| Retained earnings (Note 31)         | 17,031,995                | 15,620,006               |
| Non-controlling interests           | 208,880                   | 199,008                  |
| <b>Total equity</b>                 | <b>21,911,896</b>         | <b>20,564,900</b>        |
| <b>Total liabilities and equity</b> | <b>329,801,636</b>        | <b>316,295,461</b>       |

The consolidated interim statements of financial position as of September 30, 2018 was prepared in accordance with IFRS 9; however, the comparative consolidated statements of financial position as of December 31, 2017 were not retrospectively restated accordance with IFRS 9.

See accompanying notes

## WOORI BANK AND SUBSIDIARIES

## CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

|  | 2018 (*)  |                                | 2017 (*)                        |                                |
|--|---|--------------------------------|---------------------------------|--------------------------------|
|  | Three months ended September 30                 | Nine months ended September 30 | Three months ended September 30 | Nine months ended September 30 |
|  | (Korean Won in millions, except per share data) |                                |                                 |                                |
| Interest income  | 2,476,774                                       | 7,120,190                      | 2,187,829                       | 6,377,413                      |
| Financial assets at FVTPL (IFRS 9)   | 14,729  | 43,266                         |                                 |                                |
| Financial assets at FVTOCI   | 71,951  | 191,397                        |                                 |                                |
| Financial assets at amortized cost   | 2,390,094                                       | 6,885,527                      |                                 |                                |
| Financial assets at FVTPL (IAS 39)   |   |                                | 14,680                          | 41,486                         |
| AFS financial assets   |   |                                | 67,021                          | 211,088                        |
| HTM financial assets   |   |                                | 77,349                          | 227,022                        |
| Loans and receivables  |   |                                | 2,028,779                       | 5,897,817                      |
| Interest expense   | (1,044,099)                                     | (2,923,041)                    | (836,273)                       | (2,475,537)                    |
| <b>Net interest income</b> (Notes 33 and 44)                                     | 1,432,675                                       | 4,197,149                      | 1,351,556                       | 3,901,876                      |
| Fees and commissions income  | 545,086   | 1,658,092                      | 534,597                         | 1,548,490                      |
| Fees and commissions expense   | (279,337)                                       | (789,688)                      | (257,728)                       | (733,921)                      |
| <b>Net fees and commissions income</b> (Notes 34 and 44)                         | 265,749   | 868,404                        | 276,869                         | 814,569                        |
| Dividend Income (Note 35 and 44)   | 18,333  | 68,037                         | 48,842                          | 108,287                        |
| Net gain (loss) on financial instruments at FVTPL (IFRS 9) (Notes 11, 36 and 44) | (24,437)  | 92,586                         |                                 |                                |
| Net gain (loss) on financial instruments at FVTPL (IAS 39) (Notes 11, 36 and 44) |   |                                | 48,773                          | (97,636)                       |
| Net gain on financial assets at FVTOCI (Notes 11 and 37)                         | 886   | 2,173                          |                                 |                                |
| Net gain on AFS financial assets (Notes 11 and 37)                               |   |                                | 44,273                          | 148,445                        |
| Net gain arising on financial assets at amortized cost                           | 8,732   | 39,618                         |                                 |                                |
| Net gain on disposals of securities at amortized cost                            |   | 431                            |                                 |                                |
| Net gain on disposals of loans and other financial assets at amortized cost      | 8,732   | 39,187                         |                                 |                                |
| Impairment losses due to credit loss (Notes 38 and 44)                           | (83,855)  | (55,417)                       | (217,259)                       | (501,022)                      |
| General and administrative expenses (Notes 39 and 44)                            | (818,773)                                       | (2,386,111)                    | (1,108,625)                     | (2,647,052)                    |
| Other net operating income (expenses) (Notes 39 and 44)                          | (33,496)  | 252,910                        | (126,741)                       | 74,449                         |
| <b>Operating income</b>  | 765,814   | 2,573,529                      | 317,688                         | 1,801,916                      |
| Share of profits (losses) of joint ventures and associates (Note 13)             | (471)   | (1,933)                        | 69,670                          | 5,392                          |

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|  |           |           |          |           |
|--|-----------|-----------|----------|-----------|
| Net other non-operating income (expenses)        | 60,445    | 55,724    | (15,720) | (5,722)   |
| <b>Non-operating income (expenses)</b> (Note 40) | 59,974    | 53,791    | 53,950   | (330)     |
| <b>Net income before income tax expense</b>      | 825,788   | 2,627,320 | 371,638  | 1,801,586 |
| Income tax expense (Note 41)                     | (221,252) | (706,468) | (88,212) | (409,145) |
| <b>Net income</b>                                | 604,536   | 1,920,852 | 283,426  | 1,392,441 |

(Continued)

**WOORI BANK AND SUBSIDIARIES**

**CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

|   | 2018 (*)  |                                | 2017 (*)                        |                                |
|---|---|--------------------------------|---------------------------------|--------------------------------|
|   | Three months ended September 30                 | Nine months ended September 30 | Three months ended September 30 | Nine months ended September 30 |
|   | (Korean Won in millions, except per share data) |                                |                                 |                                |
| Net gain (loss) on valuation of equity securities at FVTOCI   | (14,152)  | 17,276                         |                                 |                                |
| Net gain on valuation of financial liabilities designated as at FVTPL due to own credit risk  | 14  | 144                            |                                 |                                |
| Items out of change in equity method securities due to change in equity of investee that will not be reclassified to profit or loss | (1,456)   |                                | (278)                           | (3,365)                        |
| Remeasurement gain (loss) related to defined benefit plan   | 16,304  | (43,269)                       | 22,820                          | 13,143                         |
| <b>Items that will not be reclassified to profit or loss</b>  | <b>710</b>                                      | <b>(25,849)</b>                | <b>22,542</b>                   | <b>9,778</b>                   |
| Net gain on valuation of debt securities at FVTOCI  | 6,033   | 16,057                         |                                 |                                |
| Net loss on valuation of AFS financial assets   |   |                                | (22,335)                        | (51,041)                       |
| Share of other comprehensive gain of joint ventures and associates  | 3,922   | 3,676                          | 3,688                           | 8,282                          |
| Net gain (loss) on foreign currency translation for foreign operations  | (62,752)  | (27,226)                       | 14,488                          | (54,522)                       |
| Net gain (loss) on valuation of cash flow hedge   | 2,703   | (3,510)                        | 279                             | (1,247)                        |
| Net gain (loss) on disposal of assets held for sale   | 564   | (4,145)                        |                                 |                                |
| <b>Items that may be reclassified to profit or loss</b>   | <b>(49,530)</b>                                 | <b>(15,148)</b>                | <b>(3,880)</b>                  | <b>(98,528)</b>                |
| <b>Other comprehensive income (loss), net of tax</b>  | <b>(48,820)</b>                                 | <b>(40,997)</b>                | <b>18,662</b>                   | <b>(88,750)</b>                |
| <b>Total comprehensive income</b>   | <b>555,716</b>                                  | <b>1,879,855</b>               | <b>302,088</b>                  | <b>1,303,691</b>               |
| <b>Net income attributable to:</b>  |   |                                |                                 |                                |
| Net income attributable to owners   | 597,528   | 1,903,406                      | 280,146                         | 1,378,507                      |
| Net income attributable to non-controlling interests  | 7,008   | 17,446                         | 3,280                           | 13,934                         |
| <b>Total comprehensive income attributable to:</b>  |   |                                |                                 |                                |
| Comprehensive income attributable to owners   | 553,248   | 1,868,570                      | 299,649                         | 1,295,391                      |
| Comprehensive income attributable to non-controlling interests  | 2,468   | 11,285                         | 2,439                           | 8,300                          |
| <b>Basic and diluted earnings per share (In Korean Won)</b>   |   |                                |                                 |                                |
| (Note 42)   | 833   | 2,661                          | 358                             | 1,855                          |

The consolidated interim statements of comprehensive income for the three months and nine months ended September 30, 2018 was prepared in accordance with IFRS 9; however, the comparative consolidated interim statements of comprehensive income for the three months and nine months ended September 30, 2017 was not



retrospectively restated in accordance with IFRS 9.

See accompanying notes

**WOORI BANK AND SUBSIDIARIES**

**CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

|  | Capital<br>Stock | Hybrid<br>securities | Capital<br>surplus | Other<br>equity<br>(Korean Won in millions) | Retained<br>earnings | Owner s<br>equity | Non-controlling<br>interests | Total<br>equity |
|--|------------------|----------------------|--------------------|---|----------------------|-------------------|------------------------------|-----------------|
| <b>January 1, 2017</b>   | 3,381,392        | 3,574,896            | 286,331            | (1,468,025)                                 | 14,611,566           | 20,386,160        | 159,793                      | 20,545,953      |
| Net income   |                  |                      |                    |   | 1,378,507            | 1,378,507         | 13,934                       | 1,392,441       |
| Dividends to<br>common stocks  |                  |                      |                    |   | (336,636)            | (336,636)         | (1,544)                      | (338,180)       |
| Capital increase<br>of subsidiaries  |                  |                      | 735                |   |                      | 735               | (144)                        | 591             |
| Net gain (loss)<br>on valuation of<br>available-for-sale<br>financial assets |                  |                      |                    | (51,480)                                    |                      | (51,480)          | 439                          | (51,041)        |
| Changes in<br>equity of joint<br>ventures and<br>associates                  |                  |                      |                    | 4,917                                       |                      | 4,917             |                              | 4,917           |
| Loss on foreign<br>currency<br>translation of<br>foreign<br>operations       |                  |                      |                    | (48,506)                                    |                      | (48,506)          | (6,016)                      | (54,522)        |
| Loss on<br>valuation of cash<br>flow hedge                                   |                  |                      |                    | (1,247)                                     |                      | (1,247)           |                              | (1,247)         |
| Remeasurement<br>gain (loss)<br>related to<br>defined benefit<br>plan        |                  |                      |                    | 13,200                                      |                      | 13,200            | (57)                         | 13,143          |
| Dividends to<br>hybrid securities  |                  |                      |                    |   | (129,921)            | (129,921)         |                              | (129,921)       |
| Issuance of<br>hybrid securities   |                  | 559,565              |                    |   |                      | 559,565           |                              | 559,565         |
| Redemption of<br>hybrid securities   |                  | (1,116,573)          |                    | (208,158)                                   |                      | (1,324,731)       |                              | (1,324,731)     |
| <b>September 30,<br/>2017 (*)</b>  | 3,381,392        | 3,017,888            | 287,066            | (1,759,299)                                 | 15,523,516           | 20,450,563        | 166,405                      | 20,616,968      |
| <b>January 1, 2018</b>   | 3,381,392        | 3,017,888            | 285,880            | (1,939,274)                                 | 15,620,006           | 20,365,892        | 199,008                      | 20,564,900      |
|  |                  |                      |                    | (392,176)                                   | 177,091              | (215,085)         | 723                          | (214,363)       |

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|   |           |           |         |             |            |            |         |            |
|---|-----------|-----------|---------|-------------|------------|------------|---------|------------|
| Cumulative effect of change in accounting policy (Note 2)   |           |           |         |             |            |            |         |            |
| Adjusted balance, beginning of period   | 3,381,392 | 3,017,888 | 285,880 | (2,331,450) | 15,797,097 | 20,150,807 | 199,731 | 20,350,538 |
| Net income  |           |           |         |             | 1,903,406  | 1,903,406  | 17,446  | 1,920,852  |
| Dividends to common stocks  |           |           |         |             | (336,636)  | (336,636)  | (2,118) | (338,754)  |
| Capital decrease of subsidiaries  |           |           | 7       |             |            | 7          | (18)    | (11)       |
| Net gain on valuation of financial liabilities designated as at FVTPL due to own credit risk            |           |           |         | 144         |            | 144        |         | 144        |
| Changes in other comprehensive income due to redemption of financial liabilities designated as at FVTPL |           |           |         | (4)         | 4          |            |         |            |
| Net gain (loss) on valuation of financial assets at FVTOCI  |           |           |         | 33,632      |            | 33,632     | (299)   | 33,333     |
| Changes in other comprehensive income due to disposal of equity securities at FVTOCI                    |           |           |         | 279         | (279)      |            |         |            |
| Change in equity method securities due to change in equity of investees                                 |           |           |         | 3,676       | (10,649)   | (6,973)    |         | (6,973)    |
| Loss on foreign currency translation of foreign operations  |           |           |         | (21,461)    |            | (21,461)   | (5,765) | (27,226)   |
| Loss on valuation of cash   |           |           |         | (3,510)     |            | (3,510)    |         | (3,510)    |

|  |                  |                  |                |                    |                   |                   |                |                   |
|--|------------------|------------------|----------------|--------------------|-------------------|-------------------|----------------|-------------------|
| flow hedge   |                  |                  |                |                    |                   |                   |                |                   |
| Remeasurement loss related to defined benefit plan |                  |                  | (43,172)       |                    | (43,172)          |                   | (97)           | (43,269)          |
| Net loss on disposal of assets held for sale       |                  |                  | (4,145)        |                    | (4,145)           |                   |                | (4,145)           |
| Dividends to hybrid securities                     |                  |                  |                | (112,790)          |                   | (112,790)         |                | (112,790)         |
| Issuance of hybrid securities                      | 398,707          |                  |                |                    |                   | 398,707           |                | 398,707           |
| Redemption of hybrid securities                    | (254,632)        |                  | (368)          |                    |                   | (255,000)         |                | (255,000)         |
| Appropriation of retained earnings                 |                  |                  | 208,158        | (208,158)          |                   |                   |                |                   |
| <b>September 30, 2018 (*)</b>                      | <b>3,381,392</b> | <b>3,161,963</b> | <b>285,887</b> | <b>(2,158,221)</b> | <b>17,031,995</b> | <b>21,703,016</b> | <b>208,880</b> | <b>21,911,896</b> |

The consolidated interim statements of changes in equity for the nine months ended September 30, 2018 was prepared in accordance with IFRS 9; however, the comparative consolidated interim statements of changes in equity for the nine months ended September 30, 2017 was not retrospectively restated in accordance with IFRS 9.

See accompanying notes

## WOORI BANK AND SUBSIDIARIES

## CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

## FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

|  | For the nine months ended September 30 |             |
|--|--|-------------|
|  | 2018 (*)                               | 2017 (*)    |
|  | (Korean Won in millions)               |             |
| <b>Cash flows from operating activities:</b>                           |  |             |
| Net income   | 1,920,852                              | 1,392,441   |
| Adjustments to net income:   |  |             |
| Income tax expense   | 706,468                                | 409,145     |
| Interest income  | (7,120,190)                            | (6,377,413) |
| Interest expense   | 2,923,041                              | 2,475,537   |
| Dividend income  | (68,037)                               | (108,287)   |
|  | (3,558,718)                            | (3,601,018) |
| Additions of expenses not involving cash outflows:                     |  |             |
| Impairment losses due to credit loss                                   | 55,417                                 | 501,022     |
| Loss on financial assets at FVTOCI                                     | 754                                    |             |
| Share of losses of investments in joint ventures and associates        | 20,272                                 | 74,171      |
| Loss on disposal of investments in joint ventures and associates       | 2,931                                  | 38,701      |
| Loss on transaction and valuation of derivatives (hedging)             | 78,200                                 | 39,768      |
| Loss on hedged items (fair value hedge)                                |  | 6,856       |
| Loss on provision  | 62,294                                 | 52,391      |
| Retirement benefits  | 107,399                                | 107,430     |
| Depreciation and amortization  | 199,181                                | 179,085     |
| Loss on disposal of premises and equipment and other assets            | 967                                    | 8,574       |
| Impairment loss on premises and equipment and other assets             | 36                                     | 269         |
|  | 527,451                                | 1,008,267   |
| Deductions of income not involving cash inflows:                       |  |             |
| Gain on valuation of financial assets at FVTPL (IFRS 9)                | 117,512                                |             |
| Gain on valuation of financial instruments at FVTPL (IAS 39)           |  | 65,764      |
| Gain on redemption of debentures                                       | 1,597                                  |             |
| Gain on financial assets at FVTOCI                                     | 2,927                                  |             |
| Gain on AFS financial assets   |  | 148,445     |
| Gain on disposal of securities at amortized cost                       | 431                                    |             |
| Share of profits of investments in joint ventures and associates       | 18,339                                 | 79,563      |
| Gain on disposal of investments in joint ventures and associates       | 49,767                                 | 33,194      |
| Gain on transaction and valuation of derivatives (Held for hedging)    | 24,134                                 | 7,695       |
| Gain on hedged items (fair value hedge)                                | 83,531                                 | 25,055      |
| Gain on provisions   | 1,718                                  | 2,000       |
| Gain on disposal of premises and equipment and other assets            | 29,996                                 | 4,895       |
| Reversal of impairment loss on premises and equipment and other assets | 761                                    | 604         |

|  |              |              |
|--|--------------|--------------|
|  | 330,713      | 367,215      |
| <b>Changes in operating assets and liabilities:</b>        |              |              |
| Financial assets at FVTPL (IFRS 9)                         | 745,482      |              |
| Financial assets at FVTPL (IAS 39)                         |              | (232,152)    |
| Loans and other financial assets at amortized cost         | (12,054,546) |              |
| Loans and receivables                                      |              | (10,076,492) |
| Other assets   | (46,475)     | (86,535)     |
| Deposits due to customers                                  | 2,664,028    | 5,326,478    |
| Provisions   | (44,945)     | (98,616)     |
| Net defined benefit liability                              | (97,823)     | (19,952)     |
| Other financial liabilities                                | 9,117,584    | 1,644,842    |
| Other liabilities  | 64,487       | 14,749       |
|  | 347,792      | (3,527,678)  |
| <b>Cash received from (paid for) operating activities:</b> |              |              |
| Interest income received                                   | 7,026,679    | 6,445,201    |
| Interest expense paid                                      | (2,655,693)  | (2,535,668)  |
| Dividends received   | 68,250       | 110,855      |
| Income tax paid  | (413,899)    | (328,793)    |
| Net cash provided by (used in) operating activities        | 2,932,001    | (1,403,608)  |

(Continued)

## WOORI BANK AND SUBSIDIARIES

## CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017 (CONTINUED)

|   | For the nine months ended September 30 |            |
|---|--|------------|
|   | 2018 (*)                               | 2017 (*)   |
|   | (Korean Won in millions)               |            |
| <b>Cash flows from investing activities:</b>                |  |            |
| Cash in-flows from investing activities:                    |  |            |
| Disposal of financial assets at FVTPL (IFRS 9)              | 8,209,468                              |            |
| Disposal of financial assets at FVTOCI                      | 6,746,297                              |            |
| Disposal of AFS financial assets                            |  | 18,991,381 |
| Redemption of securities at amortized cost                  | 7,077,432                              |            |
| Redemption of HTM financial assets                          |  | 6,851,014  |
| Disposal of investments in joint ventures and associates    | 56,556                                 | 78,204     |
| Disposal of investment properties                           | 3,483                                  | 356        |
| Disposal of premises and equipment                          | 314                                    | 6,425      |
| Disposal of intangible assets                               | 4,758                                  | 998        |
| Disposal of assets held for sale                            | 69,794                                 | 6,832      |
|   | 22,168,102                             | 25,935,210 |
| Cash out-flows from investing activities:                   |  |            |
| Net cash in-flows of business combination                   | 70,905                                 |            |
| Acquisition of financial assets at FVTPL (IFRS 9)           | 8,447,712                              |            |
| Acquisition of financial assets at FVTOCI                   | 8,912,434                              |            |
| Acquisition of AFS financial assets                         |  | 15,777,632 |
| Acquisition of securities at amortized cost                 | 9,460,686                              |            |
| Acquisition of HTM financial assets                         |  | 9,280,802  |
| Acquisition of investments in joint ventures and associates | 32,557                                 | 137,411    |
| Acquisition of investment properties                        | 10,225                                 | 5,080      |
| Acquisition of premises and equipment                       | 67,458                                 | 133,728    |
| Acquisition of intangible assets                            | 159,961                                | 168,676    |
|   | 27,161,938                             | 25,503,329 |
| Net cash provided by (used in) investing activities         | (4,993,836)                            | 431,881    |
| <b>Cash flows from financing activities:</b>                |  |            |
| Cash in-flows from financing activities:                    |  |            |
| Increase in borrowings                                      | 7,621,283                              | 9,856,662  |
| Issuance of debentures                                      | 15,824,515                             | 14,556,550 |
| Issuance of hybrid securities                               | 398,707                                | 559,565    |
| Capital increase of subsidiaries                            |  | 635        |
|   | 23,844,505                             | 24,973,412 |

|   |                    |                  |
|---|--------------------|------------------|
| Cash out-flows from financing activities:                     |                    |                  |
| Repayment of borrowings                                       | 6,452,223          | 12,308,155       |
| Repayment of debentures                                       | 15,753,950         | 10,581,681       |
| Redemption of hybrid securities                               | 255,000            | 1,323,400        |
| Payment of dividends to common stocks                         | 336,636            | 336,636          |
| Dividends paid on hybrid securities                           | 112,790            | 131,423          |
| Dividends paid on non-controlling interests                   | 2,118              | 1,544            |
|   | 22,912,717         | 24,682,839       |
| Net cash provided by financing activities                     | 931,788            | 290,573          |
| <b>Net decrease in cash and cash equivalents</b>              | <b>(1,130,047)</b> | <b>(681,154)</b> |
| <b>Cash and cash equivalents, beginning of the period</b>     | <b>6,908,286</b>   | <b>7,591,324</b> |
| Effects of exchange rate changes on cash and cash equivalents | 226,265            | (97,681)         |
| <b>Cash and cash equivalents, end of the period (Note 6)</b>  | <b>6,004,504</b>   | <b>6,812,489</b> |

The consolidated interim statements of cash flows for the nine months ended September 30, 2018 was prepared in accordance with IFRS 9; however, the comparative consolidated interim statements of cash flows for the nine months ended September 30, 2017 was not retrospectively restated to apply IFRS 9.

See accompanying notes



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**WOORI BANK AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2018 AND FOR THE THREE MONTHS AND THE NINE MONTHS**

**ENDED SEPTEMBER 30, 2018 AND 2017**

**1. GENERAL**

(1) Summary of the parent company

Woori Bank (hereinafter referred to as the Bank), which is a controlling entity in accordance with International Financial Reporting Standards (IFRS) 10 *Consolidated Financial Statements*, was established in 1899 and is engaged in the commercial banking business under the Banking Act, trust business and foreign exchange business under the Financial Investment Services and Capital Market Act.

Previously, Woori Finance Holdings Co., Ltd., the former holding company of Woori Financial Group, established on March 27, 2001 held a 100% ownership of the Bank. Effective November 1, 2014, Woori Finance Holdings Co., Ltd. completed its merger (the Merger) with and into the Bank. Accordingly, the shares of the Bank, 597 million shares, prior to the merger, were reduced to nil in accordance with capital reduction procedure, and then, in accordance with the merger ratio, the Bank newly issued 676 million shares. Since then, there have been no change in numbers of issued shares. As a result, as of September 30, 2018, the common stock of the Bank amounts to 3,381,392 million Korean Won.

During the year ended December 31, 2016, the Korea Deposit Insurance Corporation (KDIC), the majority shareholder of the Bank, sold its 187 million shares in the Bank in accordance with the contract of Disposal of Woori Bank's shares to Oligopolistic Shareholders. In addition to the sale, during the year ended December 31, 2017, KDIC sold additional 33 million shares. As of September 30, 2018 and December 31, 2017, KDIC held 125 million shares (18.43% ownership interest), of the Bank's shares issued.

On June 24, 2002, Woori Finance Holdings Co., Ltd. listed its common shares on the Korea Exchange through public offering. In addition, on September 29, 2003, the holding company registered with the Securities and Exchange Commission in the United States of America and, on the same day, listed its American Depositary Shares on the New York Stock Exchange. As Woori Finance Holdings Co., Ltd. was merged into the Bank, the Bank, which is the existing company, succeeded such rights and obligations as a listed company on the Korea Exchange and the New York Stock Exchange.

As a result of such merger, the Bank incorporated Woori Card Co., Ltd., Woori Investment Bank Co., Ltd., Woori FIS Co., Ltd., Woori Private Equity Asset Management Co., Ltd., and Woori Finance Research Institute Co., Ltd. as its subsidiaries.

The headquarters of the Bank is located in 51, Sogong-ro, Jung Gu, Seoul, Korea. The Bank has 878 branches and offices in Korea, and 23 branches and offices overseas as of September 30, 2018.

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

| Subsidiaries   | Main business                                | Percentage of ownership<br>(%) |                      | Location    | Financial<br>statements<br>as of<br>(2018) |
|--|--|--------------------------------|----------------------|-------------|--|
|  |  | September<br>30, 2018          | December<br>31, 2017 |             |  |
| Woori Bank:  |  |                                |                      |             |  |
| Woori FIS Co., Ltd.  | System software development<br>& maintenance | 100.0                          | 100.0                | Korea       | September 30                               |
| Woori Private Equity Asset<br>Management Co., Ltd.                         | Finance                                      | 100.0                          | 100.0                | Korea       | September 30                               |
| Woori Finance Research Institute<br>Co., Ltd.                              | Other service business                       | 100.0                          | 100.0                | Korea       | September 30                               |
| Woori Card Co., Ltd.   | Finance                                      | 100.0                          | 100.0                | Korea       | September 30                               |
| Woori Investment Bank Co., Ltd.  | Other credit finance business                | 59.8                           | 59.8                 | Korea       | September 30                               |
| Woori Credit Information Co.,<br>Ltd.                                      | Credit information                           | 100.0                          | 100.0                | Korea       | September 30                               |
| Woori America Bank   | Finance                                      | 100.0                          | 100.0                | U.S.A.      | September 30                               |
| Woori Global Markets Asia<br>Limited                                       |  | 100.0                          | 100.0                | Hong Kong   | September 30                               |
| Woori Bank China Limited   |  | 100.0                          | 100.0                | China       | September 30                               |
| AO Woori Bank  |  | 100.0                          | 100.0                | Russia      | September 30                               |
| PT Bank Woori Saudara<br>Indonesia 1906 Tbk                                |  | 79.9                           | 79.9                 | Indonesia   | September 30                               |
| Banco Woori Bank do Brasil S.A.  |  | 100.0                          | 100.0                | Brazil      | September 30                               |
| Korea BTL Infrastructure Fund  |  | 99.9                           | 99.9                 | Korea       | September 30                               |
| Woori Fund Service Co., Ltd.   |  | 100.0                          | 100.0                | Korea       | September 30                               |
| Woori Finance Cambodia PLC.  |  | 100.0                          | 100.0                | Cambodia    | September 30                               |
| Woori Finance Myanmar Co.,<br>Ltd.   |  | 100.0                          | 100.0                | Myanmar     | September 30                               |
| Wealth Development Bank  |  | 51.0                           | 51.0                 | Philippines | September 30                               |
| Woori Bank Vietnam Limited   |  | 100.0                          | 100.0                | Vietnam     | September 30                               |
| WB Finance Co., Ltd.   |  | 100.0                          |                      | Cambodia    | September 30                               |
| Kumho Trust First Co., Ltd. (*1)   | Asset securitization                         | 0.0                            | 0.0                  | Korea       | September 30                               |
| Asiana Saigon Inc. (*1)  |  | 0.0                            | 0.0                  | Korea       | September 30                               |
| Consus Eighth Co., LLC (*1)  |  | 0.0                            | 0.0                  | Korea       | September 30                               |
| KAMCO Value Recreation First<br>Securitization Specialty Co., Ltd.<br>(*1) |  | 15.0                           | 15.0                 | Korea       | September 30                               |
| Hermes STX Co., Ltd. (*1)  |  | 0.0                            | 0.0                  | Korea       | September 30                               |
| BWL First Co., LLC (*1)  |  | 0.0                            | 0.0                  | Korea       | September 30                               |
| Deogi Dream Fourth Co., Ltd.<br>(*1)                                       |  | 0.0                            | 0.0                  | Korea       | September 30                               |
| Jeonju Iwon Ltd. (*1)  |  | 0.0                            | 0.0                  | Korea       | September 30                               |
| Wonju I one Inc. (*1)  |  | 0.0                            | 0.0                  | Korea       | September 30                               |
| Heitz Third Co., Ltd. (*1)   |  | 0.0                            | 0.0                  | Korea       | September 30                               |
| Woorihansoop 1st Co., Ltd. (*1)  |  | 0.0                            | 0.0                  | Korea       | September 30                               |
| Electric Cable First Co., Ltd. (*1)  |  | 0.0                            | 0.0                  | Korea       | September 30                               |

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|  |                                     |     |     |       |              |
|--|-------------------------------------|-----|-----|-------|--------------|
| Woori International First Co., Ltd.<br>(*1)  |                                     | 0.0 | 0.0 | Korea | September 30 |
| Woori HJ First Co., Ltd. (*1)  |                                     | 0.0 | 0.0 | Korea | September 30 |
| Woori WEBST 1st Co., Ltd. (*1)   |                                     | 0.0 | 0.0 | Korea | September 30 |
| Wibihansoop 1st Co., Ltd. (*1)   |                                     | 0.0 | 0.0 | Korea | September 30 |
| Uri QS 1st Co., Ltd. (*1)  |                                     | 0.0 | 0.0 | Korea | September 30 |
| Uri Display 1st Co., Ltd. (*1)   |                                     | 0.0 | 0.0 | Korea | September 30 |
| Tiger Eyes 2nd Co., Ltd. (*1)  |                                     | 0.0 | 0.0 | Korea | September 30 |
| Woori Serveone 1st Co., Ltd. (*1)  |                                     | 0.0 | 0.0 | Korea | September 30 |
| Uri Display 2nd Co.,Ltd. (*1)  |                                     | 0.0 |     | Korea | September 30 |
| Woori the Colony Unjung<br>Securitization Specialty Co.,<br>Ltd. (*1)  |                                     | 0.0 |     | Korea | September 30 |
| Woori Dream 1st Co., Ltd. (*1)   |                                     | 0.0 |     | Korea | September 30 |
| Woori HS 1st Co., Ltd. (*1)  |                                     | 0.0 |     | Korea | September 30 |
| Woori HJ Second Co.,Ltd. (*1)  |                                     | 0.0 |     | Korea | September 30 |
| Woori Sinnonhyeon 1st Inc. (*1)  |                                     | 0.0 |     | Korea | September 30 |
| Woori K 1st Co.,Ltd. (*1)  |                                     | 0.0 |     | Korea | September 30 |
| Uri S 1st Co.,Ltd. (*1)  |                                     | 0.0 |     | Korea | September 30 |
| Smart Casting Inc. (*1)  |                                     | 0.0 |     | Korea | September 30 |
| HeungkukWoori Tech Company<br>Private Placement Investment<br>Trust No. 1 and 3 beneficiary<br>certificates (*2) | Securities investment and<br>others |     |     | Korea | September 30 |
| Principle Guaranteed Trust (*3)  | Trust                               | 0.0 | 0.0 | Korea | September 30 |

| Subsidiaries   | Main business        | Percentage of ownership (%) |                   | Location | Financial statements as of (2018) |
|--|----------------------|-----------------------------|-------------------|----------|-----------------------------------|
|  |                      | September 30, 2018          | December 31, 2017 |          |                                   |
| Principle and Interest Guaranteed Trust (*3)                     |                      | 0.0                         | 0.0               | Korea    | September 30                      |
| Woori Investment Bank:   |                      |                             |                   |          |                                   |
| Dongwoo First Securitization Specialty Co., Ltd. (*1)            | Asset securitization | 5.0                         | 5.0               | Korea    | September 30                      |
| Seari First Securitization Specialty Co., Ltd. (*1)              |                      | 5.0                         | 5.0               | Korea    | September 30                      |
| Namjong 1st Securitization Specialty Co., Ltd. (*1)              |                      | 5.0                         | 5.0               | Korea    | September 30                      |
| Bukgeum First Securitization Specialty Co., Ltd. (*1)            |                      | 5.0                         | 5.0               | Korea    | September 30                      |
| Seori Second Securitization Specialty Co., Ltd. (*1)             |                      | 5.0                         |                   | Korea    | September 30                      |
| Bukgeum Second Securitization Specialty Co., Ltd. (*1)           |                      | 5.0                         |                   | Korea    | September 30                      |
| Woori Card Co., Ltd.:  |                      |                             |                   |          |                                   |
| TUTU Finance-WCI Myanmar Co., Ltd.                               | Finance              | 100.0                       | 100.0             | Myanmar  | September 30                      |
| Woori Card one of 2017-1 Securitization Specialty Co., Ltd. (*1) | Asset securitization | 0.5                         | 0.5               | Korea    | September 30                      |
| Woori Card one of 2017-2 Securitization Specialty Co., Ltd. (*1) |                      | 0.5                         | 0.5               | Korea    | September 30                      |

(\*1) The entity was a structured entity for the purpose of asset securitization and was in scope for consolidation. Considering that, the Group 1) had the power over the investee, 2) was exposed, or had rights, to variable returns from its involvement with the investee, and 3) had the ability to use its power to affect its returns.

(\*2) The entity was a structured entity for the purpose of investment in securities and was in scope for consolidation, considering that the Group 1) had the power over the investee, 2) was exposed, or has rights, to variable returns from its involvement with the investee, and 3) has the ability to use its power to affect its returns.

(\*3) The entity was a money trust under the Financial Investment Services and Capital Markets Act and was in scope for consolidation. Although the Group was not a majority shareholder, the Group 1) has the power over the investee, 2) was exposed, or has rights, to variable returns from its involvement with the investee, and 3) has the ability to use its power to affect its returns.

(3) As of September 30, 2018, and December 31, 2017, despite having more than 50% ownership interest, the Group has not consolidated the following companies as the Group does not have the ability to control following subsidiaries:

| Subsidiaries   | Location | As of September 30, 2018 |                             |
|--|----------|--------------------------|-----------------------------|
|  |          | Main Business            | Percentage of ownership (%) |
| Golden Bridge NHN Online Private Equity Investment (*)               | Korea    | Securities Investment    | 60.0                        |
| Mirae Asset Maps Clean Water Private Equity Investment Trust 7th (*) | Korea    | Securities Investment    | 58.5                        |
| Hana Walmart Real Estate Investment Trust 41-1 (*)                   | Korea    | Securities Investment    | 77.0                        |
| Hangkang Sewage Treatment Plant Fund (*)                             | Korea    | Securities Investment    | 55.7                        |

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|  |       |                       |      |
|--|-------|-----------------------|------|
| IGIS Global Private Placement Real Estate Fund No. 163-2 (*)       | Korea | Securities Investment | 97.9 |
| IGIS Global Private Placement Real Estate Fund No. 148-1 (*)       | Korea | Securities Investment | 75.0 |
| IGIS Europe Private Placement Real Estate Fund No. 148-2 (*)       | Korea | Securities Investment | 75.0 |
| Mirae Asset Seoul Ring Expressway Private Special Asset Fund I (*) | Korea | Securities Investment | 66.2 |
| Heungkuk Global Private Placement Investment Trust No. 1 (*)       | Korea | Securities Investment | 93.3 |

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

| Subsidiaries   | Location | As of December 31, 2017 |                             |
|--|----------|-------------------------|-----------------------------|
|  |          | Main Business           | Percentage of ownership (%) |
| Golden Bridge NHN Online Private Equity Investment (*)               | Korea    | Securities Investment   | 60.0                        |
| Mirae Asset Maps Clean Water Private Equity Investment Trust 7th (*) | Korea    | Securities Investment   | 59.7                        |
| Kiwoom Yonsei Private Equity Investment Trust (*)                    | Korea    | Securities Investment   | 88.9                        |
| Hana Walmart Real Estate Investment Trust 41-1 (*)                   | Korea    | Securities Investment   | 90.1                        |
| IGIS Global Private Placement Real Estate Fund No. 148-1 (*)         | Korea    | Securities Investment   | 75.0                        |
| IGIS Global Private Placement Real Estate Fund No. 148-2 (*)         | Korea    | Securities Investment   | 75.0                        |

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

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

|  | As of and for the nine months ended September 30, 2018 |             |                   |  |  |
|--|--|-------------|-------------------|--|--|
|  | Assets   | Liabilities | Operating revenue | Net income (loss) attributable to owners | Comprehensive income (loss) attributable to owners |
| Woori FIS Co., Ltd.  | 79,640   | 57,740      | 199,588           | (10,645)                                 | (10,680)   |
| Woori Private Equity Asset Management Co., Ltd.              | 40,238   | 1,949       | 1,317             | (1,909)                                  | (1,936)  |
| Woori Finance Research Institute Co., Ltd.                   | 4,575  | 720         | 4,168             | 417                                      | 414  |
| Woori Card Co., Ltd.   | 9,593,273  | 7,932,529   | 1,406,754         | 88,624                                   | 85,296   |
| Woori Investment Bank Co., Ltd.                              | 2,667,431  | 2,348,804   | 163,244           | 28,590                                   | 28,917   |
| Woori Credit Information Co., Ltd.                           | 34,331   | 6,159       | 26,827            | 1,114                                    | 1,049  |
| Woori America Bank   | 2,216,713  | 1,917,262   | 66,713            | 16,996                                   | 27,448   |
| Woori Global Markets Asia Limited                            | 448,882  | 329,385     | 12,238            | 3,461                                    | 7,733  |
| Woori Bank China Limited                                     | 5,218,846  | 4,711,178   | 339,386           | 15,609                                   | 9,749  |
| AO Woori Bank  | 292,018  | 241,209     | 13,956            | 3,833                                    | (1,686)  |
| PT Bank Woori Saudara Indonesia 1906 Tbk                     | 2,219,505  | 1,742,356   | 144,492           | 29,475                                   | 2,051  |
| Banco Woori Bank do Brasil S.A.                              | 137,873  | 109,182     | 10,552            | 1,124                                    | (3,619)  |
| Korea BTL Infrastructure Fund                                | 777,412  | 299         | 22,299            | 19,535                                   | 19,535   |
| Woori Fund Service Co., Ltd.                                 | 13,767   | 980         | 7,449             | 1,376                                    | 1,376  |
| Woori Finance Cambodia PLC.                                  | 82,675   | 61,340      | 7,769             | 2,151                                    | 2,904  |
| Woori Finance Myanmar Co., Ltd.                              | 18,455   | 6,567       | 2,965             | (1,510)                                  | (1,042)  |
| Wealth Development Bank                                      | 197,519  | 164,850     | 9,661             | 9  | (1,571)  |
| Woori Bank Vietnam Limited                                   | 1,062,422  | 833,901     | 36,120            | 7,686                                    | 8,113  |
| WB Finance Co., Ltd.   | 250,961  | 210,165     | 11,806            | 307                                      | (14)   |
| Money trust under the FISCM Act (*)                          | 1,578,686  | 1,548,667   | 38,366            | 108                                      | 108  |
| Structured entity for the securitization of financial assets | 1,388,441  | 1,806,251   | 43,186            | 4,654                                    | (6,269)  |

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|   |        |    |       |         |         |
|---|--------|----|-------|---------|---------|
| Structured entity for the investments in securities | 63,028 | 98 | 1,434 | (1,648) | (2,954) |
|---|--------|----|-------|---------|---------|

(\* ) FISCAM Act: Financial Investment Services and Capital Markets Act

As of and for the year ended December 31, 2017

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

(\*) FISCM Act: Financial Investment Services and Capital Markets Act

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

#### Structured entity for the securitization of financial assets

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

#### Structured entity for the investments in securities

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



Money trust under the Financial Investment Services and Capital Markets Act

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

The Group is providing purchase commitment and credit facilities to structured entities that are subsidiaries of the Group. Purchase commitments guarantee the purchase and payment of outstanding commercial papers that were issued but were not repurchased by the structured entities. Credit facilities allow lending of funds to structured entities under certain conditions when there are grounds for discontinuing the issuance of commercial papers, or when structured entities default due to some reasons.

As of September 30, 2018, the Group is providing credit facilities (including ABCP purchase commitments, etc.) amounting to 1,325,904 million Won to aforementioned structured entities.

- (6) The Group has entered into various agreements with structured entities such as asset securitization vehicles, structured finance and investment funds, and monetary funds. Where it is determined in accordance with IFRS 10 that the Group has no controlling power over such structured entities, the entities are not consolidated. The nature of interests, which the Group retains, and the risks, to which the Group is exposed, of the unconsolidated structured entities are as follows:

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

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

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

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

Total assets of the unconsolidated structured entities, the carrying value of the related items recorded, the maximum exposure to risks, and the loss recognized in conjunction with the unconsolidated structured entities as of September 30, 2018 and December 31, 2017 are as follows (Unit: Korean Won in millions):

|   | September 30, 2018           |                    |                  |
|---|------------------------------|--------------------|------------------|
|   | Asset securitization vehicle | Structured finance | Investment Funds |
| Total asset of the unconsolidated structured entities   | 6,104,435                    | 63,390,432         | 13,331,139       |
| Assets recognized in the consolidated financial statements related to the unconsolidated structured entities      | 2,673,308                    | 2,426,683          | 1,517,049        |
| Financial assets at FVTPL   | 231,892                      | 119,212            | 1,224,681        |
| Financial assets at FVTOCI  | 286,490                      |                    |                  |
| Financial assets at amortized cost  | 2,154,481                    | 2,304,510          | 38,833           |
| Investments in joint ventures and associates  |                              |                    | 253,535          |
| Derivative assets (Held for hedging)  | 445                          | 2,961              |                  |
| Liabilities recognized in the consolidated financial statements related to the unconsolidated structured entities | 1,249                        | 1,678              | 74               |
| Derivative liabilities (Held for hedging)   | 251                          | 1,196              |                  |
| Other liabilities (including provisions)  | 998                          | 482                | 74               |
| The maximum exposure to risks   | 3,351,031                    | 3,101,647          | 1,517,049        |
| Investments   | 2,673,308                    | 2,426,683          | 1,517,049        |
| Credit facilities   | 659,723                      | 674,964            |                  |
| Other commitments   | 18,000                       |                    |                  |
| Loss recognized on unconsolidated structured entities   | 83                           | 10,200             | 2,531            |

|   | December 31, 2017            |                    |                  |
|---|------------------------------|--------------------|------------------|
|   | Asset securitization vehicle | Structured finance | Investment Funds |
| Total asset of the unconsolidated structured entities   | 7,295,601                    | 40,172,830         | 13,641,135       |
| Assets recognized in the consolidated financial statements related to the unconsolidated structured entities      | 3,215,159                    | 2,314,043          | 1,138,523        |
| Loans and receivables   | 43,180                       | 1,969,760          |                  |
| Financial assets held for trading   |                              | 233,428            | 10,160           |
| AFS financial assets  | 902,390                      | 106,819            | 904,774          |
| HTM financial assets  | 2,269,451                    |                    |                  |
| Investments in joint ventures and associates  |                              |                    | 223,589          |
| Derivative assets (Held for hedging)  | 138                          | 4,036              |                  |
| Liabilities recognized in the consolidated financial statements related to the unconsolidated structured entities | 1,433                        | 1,506              |                  |
| Derivative liabilities (Held for hedging)   | 575                          | 968                |                  |
| Other liabilities (including provisions)  | 858                          | 538                |                  |
| The maximum exposure to risks   | 4,032,531                    | 2,918,448          | 1,138,523        |
| Investments   | 3,215,159                    | 2,314,043          | 1,138,523        |
| Credit facilities   | 817,372                      | 604,405            |                  |
| Loss recognized on unconsolidated structured entities   | 837                          | 3,939              | 5,993            |

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

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

|  | September 30, 2018 | December 31, 2017 |
|--|--------------------|-------------------|
| Woori Investment Bank                    | 131,447            | 191,111           |
| PT Bank Woori Saudara Indonesia 1906 Tbk | 63,208             | 64,877            |
| Wealth Development Bank                  | 16,008             | 16,778            |

2) Net income attributable to non-controlling interests

|  | For the nine months ended<br>September 30, 2018 | For the nine months ended<br>September 30, 2017 |
|--|---|---|
| Woori Investment Bank                    | 11,482  | 6,520   |
| PT Bank Woori Saudara Indonesia 1906 Tbk | 5,931   | 6,731   |
| Wealth Development Bank                  | 4   | 653   |

3) Dividends to non-controlling interests

|  | For the nine months ended<br>September 30, 2018 | For the nine months ended<br>September 30, 2017 |
|--|---|---|
| PT Bank Woori Saudara Indonesia 1906 Tbk | 2,082   | 1,513   |

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of presentation

The Group's consolidated interim financial statements are prepared in accordance with International Accounting Standards ( IAS ) 34, *Interim Financial Reporting* and IFRS 10, *Consolidated Financial Statements*. It is necessary to use the annual consolidated financial statements for the year ended December 31, 2017 for understanding of the accompanying interim financial statements.

Unless stated below, the accounting policies applied in preparing the accompanying consolidated interim financial statements have been applied consistently with the annual consolidated financial statements as of and for the year ended December 31, 2017.

1) The Group has newly adopted the following adoption of IFRS that affected the Group's accounting policies:

Adoption of IFRS 9 *Financial instruments* (enacted)

The Group applied for the first time as of January 1, 2018, the adoption to IFRS 9 and other standards related to IFRS 9, which introduces new rules: 1) classification and measurement of financial assets and financial liabilities, 2) impairment of financial assets, and 3) hedge accounting.

The Group decided not to restate the prior period figures when applying the Standard for the first time, thus the comparative financial statements presented are not restated.

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

a) Classification and measurement of financial assets and financial liabilities

All financial assets included in the scope of IFRS 9 are subsequently measured at amortized cost or fair value based on the business model for the management of financial assets and the nature of the contractual cash flows.

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

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

All other debt instruments and equity instruments are measured at their fair value at the end of subsequent accounting periods (financial assets at fair value through profit or loss ( FVTPL )).

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

The Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of this Standard that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3(R) applies.

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

As of the date of first adoption of IFRS 9, there are no debt instruments classified either as financial assets at amortized cost or FVTOCI that are designated as financial assets at fair value through profit or loss.

When debt instruments measured at FVTOCI are derecognized, the cumulative gain or loss recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. On the other hand, for equity instruments designated as financial assets at fair value through other comprehensive income, cumulative gains or losses previously recognized in other comprehensive income are not subsequently reclassified to profit or loss. Debt instruments measured subsequently at amortized cost or fair value through other comprehensive income are subject to impairment provisions.

The classification and measurement of financial assets and financial liabilities in accordance with IFRS 9 and IAS 39 as of January 1, 2018 are as follows (Unit: Korean Won in millions):

|                        | Classification according to IAS 39 | Classification according to IFRS 9                | Classification according to IAS 39 | Reclassification | Remeasurement | Classification according to IFRS 9 |
|------------------------|------------------------------------|---|------------------------------------|------------------|---------------|------------------------------------|
| Deposit                | Loans and receivables              | Loan and other financial assets at amortized cost | 8,870,835                          |                  |               | 8,870,835                          |
| Deposit                | Financial assets at FVTPL          | Financial assets at FVTPL                         | 25,972                             |                  |               | 25,972                             |
| Debt securities        | Financial assets at FVTPL          | Financial assets at FVTPL (*)                     | 2,654,027                          |                  |               | 2,654,027                          |
| Equity securities      | Financial assets at FVTPL          | Financial assets at FVTPL (*)                     | 47,304                             |                  |               | 47,304                             |
| Derivatives            | Financial assets at FVTPL          | Financial assets at FVTPL (*)                     | 3,115,775                          | (2,137)          |               | 3,113,638                          |
| Equity securities      | AFS financial assets               | Financial assets at FVTPL (*)                     | 1,273,498                          | 1,219            |               | 1,274,717                          |
| Equity securities      | AFS financial assets               | Financial assets at FVTOCI                        | 850,207                            |                  |               | 850,207                            |
| Debt securities        | AFS financial assets               | Financial assets at FVTPL                         | 46,855                             |                  |               | 46,855                             |
| Debt securities        | AFS financial assets               | Financial assets at FVTOCI                        | 12,874,209                         |                  |               | 12,874,209                         |
| Debt securities        | AFS financial assets               | Securities at amortized cost                      | 308,181                            |                  | 14,119        | 322,300                            |
| Debt securities        | HTM financial assets               | Securities at amortized cost                      | 16,749,296                         |                  |               | 16,749,296                         |
| Loans                  | Loans and receivables              | Financial assets at FVTPL (*)                     | 279,032                            | 918              | 50            | 280,000                            |
| Loans                  | Loans and receivables              | Loan and other financial assets at amortized cost | 253,014,491                        |                  |               | 253,014,491                        |
| Derivatives assets     | Derivatives assets                 | Derivatives assets (Held for hedging)             | 59,272                             |                  |               | 59,272                             |
| Other financial assets | Loans and receivables              | Loan and other financial assets at amortized cost | 6,772,088                          |                  |               | 6,772,088                          |
| Total financial assets |                                    |   | 306,941,042                        |                  | 14,169        | 306,955,211                        |

(\*) Under IAS 39, the embedded derivatives out of hybrid financial instruments are accounted for as derivatives assets or liabilities if the criteria for separation of the embedded derivative are met and the rest of host contracts in those instruments are recorded as available-for-sale financial assets or loans and receivables respectively. Since

IFRS 9 requires financial instruments be accounted for based on the terms of the entire financial instruments, the hybrid financial assets are revalued and recorded as financial assets at fair value through profit or loss.



|                                    | Classification according to IAS 39      | Classification according to IFRS 9         | Classification according to IAS 39<br>Reclassification | Classification according to IFRS 9<br>Measurement |
|------------------------------------|---|--|--|---|
| Deposit due to customers           | Financial liabilities at FVTPL          | Financial liabilities at FVTPL             | 25,964   | 25,964  |
| Deposit due to customers           | Financial liabilities at amortized cost | Financial liabilities at amortized cost    | 234,695,084  | 234,695,084                                       |
| Borrowings                         | Financial liabilities at amortized cost | Financial liabilities at amortized cost    | 14,784,706   | 14,784,706  |
| Debentures                         | Financial liabilities at FVTPL          | Financial liabilities at FVTPL             | 91,739   | 91,739  |
| Debentures                         | Financial liabilities at amortized cost | Financial liabilities at amortized cost    | 27,869,651   | 27,869,651  |
| Equity-linked securities           | Financial liabilities at FVTPL          | Financial liabilities at FVTPL             | 160,057  | 160,057   |
| Derivatives liabilities            | Financial liabilities at FVTPL          | Financial liabilities at FVTPL             | 3,150,149  | 3,150,149   |
| Derivatives liabilities            | Derivatives liabilities                 | Derivatives liabilities (Held for hedging) | 67,754   | 67,754  |
| Other financial liabilities        | Financial liabilities at amortized cost | Financial liabilities at amortized cost    | 13,892,461   | 13,892,461  |
| Provision for financial guarantee  | Provision for financial guarantee       | Financial liabilities at amortized cost    | 71,697   | 71,697  |
| <b>Total financial liabilities</b> |   |  | <b>294,809,262</b>                                     | <b>294,809,262</b>                                |

At the date of the initial application of IFRS 9, there were no financial assets or liabilities measured at FVTPL that were reclassified to FVTOCI or amortized cost category.

As of the date of first adoption of IFRS 9, the amount of valuation gain or loss and fair value of financial assets that would have been recognized in the book, had the entity decided not to reclassify financial assets at FVTPL or FVTOCI that has been reclassified into financial assets at amortized cost, is as follows: (Unit: Korean Won in millions)

| Account subject | Category before the adoption of IFRS 9 | Amount of valuation gain/loss had it not been reclassified | Fair value |
|-----------------|--|--|------------|
| Debt securities | AFS securities                         | (163)  | 300,058    |

## b) Impairment of financial assets

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, the Group accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group is required to recognize the expected credit losses for financial instruments measured at amortized cost or FVTOCI, and loan commitments and financial guarantee contracts that are subject to the impairment provisions of IFRS 9. In particular, when the credit risk of the financial instruments are significantly increased after initial recognition, or when the credit quality of the financial instruments are already impaired at acquisition, the loss allowance is measured as the expected credit loss for the whole life of the financial assets. If the credit risk of a financial instruments does not increase significantly after initial recognition (excluding purchased or originated credit-impaired loans for financial assets already impaired at initial recognition), the Group measures the loss allowance on the financial instruments at the amount equivalent to the expected 12-month credit loss.

Management determined the credit risk at the date of initial recognition of the financial instrument in accordance with IFRS 9 and provided a reasonable and supportive measure that can be used without undue cost or effort in comparison with the credit risk of the initial application date (January 1, 2018) the Group used information that could be used to assess the impairment of the Group's financial assets, lending arrangements and financial guarantees at the date of initial application. As of January 1, 2018, the evaluation results are as follows (Unit: Korean Won in millions):

|                                  | Classification according to IAS 39 | Classification according to IFRS 9                 | Loss allowance per IAS 39(A) | Loss allowance per IFRS 9 (B) | Increases (B-A) |
|----------------------------------|------------------------------------|--|------------------------------|-------------------------------|-----------------|
| Deposit                          | Loans and receivables              | Loans and other financial assets at amortized cost | 2,458                        | 3,092                         | 634             |
| Debt securities                  |                                    |  |                              |                               |                 |
| AFS debt securities              | AFS financial assets               | Financial assets at FVTOCI                         |                              | 4,236                         | 4,236           |
| HTM securities                   | HTM financial assets               | Securities at amortized cost                       |                              | 5,078                         | 5,078           |
| Loans and other financial assets | Loans and receivables              | Loans and other financial assets at amortized cost | 1,827,785                    | 2,076,873                     | 249,088         |
| Payment guarantee                |                                    |  | 183,247                      | 192,924                       | 9,677           |
| Loan commitment                  |                                    |  | 66,115                       | 104,985                       | 38,870          |
| Total                            |                                    |  | 2,079,605                    | 2,387,188                     | 307,583         |

## c) Classification and measurement of financial liabilities

One of the major changes related to the classification and measurement of financial liabilities as a result of the adoption of IFRS 9 is the change in the fair value of financial liabilities designated at fair value through profit or loss

due to the changes in issuer's own credit risk. The Group recognizes the effect of changes in the credit risk of financial liabilities designated as at FVTOCI in other comprehensive income, except for cases where it causes or disproves accounting mismatch of the profit or loss. Changes in fair value due to credit risk of financial liabilities are not subsequently reclassified to profit or loss, but are reclassified as retained earnings when financial liabilities are eliminated.

In accordance with IAS 39, the entire of changes in fair value of financial liabilities designated as at FVTPL are recognized in profit or loss. As of January 1, 2018, the Group designated 251,796 million Korean Won of FVTPL out of 294,813,795 million of financial liabilities, and recognized 133 million Korean Won as accumulated other comprehensive loss in relation to the changes in credit risk of financial liabilities.

## d) Hedge accounting

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

In accordance with the transitional provisions of IFRS 9 on hedge accounting, the Group adopted the hedge accounting provisions of IFRS 9 prospectively from January 1, 2018. As of the date of initial application, the Group has considered that the hedging relationship in accordance with IAS 39 is appropriate for hedge accounting under IFRS 9, thus the hedging relationship is considered to exist continually. Since the major conditions for hedging instruments and the hedged items are consistent, all hedging relationships are consistent with the effectiveness assessment requirements of IFRS 9. The Group has not designated a hedging relationship in accordance with IFRS 9 in which the hedge relationship would not have met the requirements for hedge accounting under IAS 39.

Consistent with prior periods, the Group continues to designate fair value changes in interest rate swaps as hedging instruments in the fair value hedge relationship.

## e) Effect on equity as a result of adoption of IFRS 9

The effect on equity due to the adoption of IFRS 9 as of January 1, 2018 is as follows (Unit: Korean Won in millions):

Impact on accumulated other comprehensive loss as result of financial assets at FVTOCI, etc.

|   | Amount    |
|---|-----------|
| Beginning balance (prior to IFRS 9)   | (89,724)  |
| Adjustments   | (392,176) |
| Reclassification of available-for-sale financial assets to financial assets at Amortized cost   | 494       |
| Reclassification of available-for-sale financial assets to financial assets at FVTPL  | (152,124) |
| Recognition of expected credit losses of debt securities at FVTOCI  | 4,293     |
| Reclassified of available for sale financial assets (equity securities) to financial assets at FVTOCI                                 | (397,508) |
| Effect on changes in credit risk of financial liabilities at fair value through profit or loss designated as upon initial recognition | (133)     |
| Others  | 3,006     |
| Income tax effect   | 149,796   |
| Ending balance (based on IFRS 9)  | (481,900) |

## Retained earnings impact

|   | Amount     |
|---|------------|
| Beginning balance (prior to IFRS 9)   | 15,620,006 |
| Adjustments   | 177,091    |
| Reclassification of available-for-sale financial assets to financial assets at Amortized cost   | (494)      |
| Reclassification of available-for-sale financial assets to financial assets at FVTPL  | 152,067    |
| Recognition of expected credit losses of debt instruments at FVTOCI   | (4,236)    |
| Reclassified of available for sale financial assets (equity securities) to financial assets at FVTOCI                                 | 397,508    |
| Effect on revaluation of financial assets at amortized cost from loan and receivables or AFS financial assets                         | 282        |
| Recognition of expected credit losses of financial assets at amortized cost which were previously loan and receivables                | (240,683)  |
| Effect of payment guarantees / unused commitments on liabilities  | (48,548)   |
| Effect on changes in credit risk of financial liabilities at fair value through profit or loss designated as upon initial recognition | 133        |
| Others  | (4,456)    |
| Income tax effect   | (74,482)   |
| Ending balance (based on IFRS 9)  | 15,797,097 |

## Adoption of IFRS 15 Revenue from contracts with customers (enacted)

The Group adopted IFRS 15 for the first time and decided to recognize the cumulative effect of applying the new standard at the beginning of the year of initial application (January 1, 2018), with no restatement of comparative periods, with a choice of practical expedients under the transition requirements of IFRS 15. In addition, the Group has applied the new standard to contractual modifications made prior to the first application date and applied the new standard to the contract modifications that occur after the date of initial application.

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

## Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following; i) In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments ii) Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a net settlement feature, such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature, iii) A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows; a) the original liability is derecognized; b) the equity-settled share-based payment is recognized at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and c) any difference between the carrying amount of the liability at the modification date and the amount recognized in equity should be recognized in profit or loss immediately.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

#### Amendments to IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the date of transaction for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income (or part of them), when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

#### Annual Improvements to IFRS 2014-2016 Cycle

The amendments include partial amendments to IFRS 1 First-time Adoption of IFRS and IAS 28 Investments in Associates and Joint Ventures. Amendments to IAS 28 provide that an investment company such as a venture capital investment vehicle may selectively designate each of its investment in associates and/or joint ventures to be measured at fair value through profit or loss mandatorily measured at fair value, and that such designation must be made at the time of each investment's initial recognition. In addition, when non-investment companies apply equity method to investment in associates and/or joint ventures that are investment companies, these companies may apply the same fair value measurement used by the said associates to value their own subsidiaries. This accounting treatment may be selectively applied to each associate.

There are no significant impacts on financial statements due to newly adopted accounting standards except for IFRS 9.

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

#### IFRS 16 Leases (enacted)

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations, and will be applied to periods beginning on or after January 1, 2019.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by model where a right-of-use asset and corresponding liability have to be recognized for all leases by lessees except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Also, IFRS 16 requires expanded disclosures.

According to the preliminary assessment of the Group, the lease agreements entered into by the Group as of September 30, 2018 are expected to meet the definition of lease under the Standard, and accordingly, if the Group adopts the Standard, it applies to all leases except short-term leases and leases of low value assets, and the Group will recognize the right-of-use assets and related liabilities accordingly. The Group is currently analyzing the potential impact of this standards as of September 30, 2018.



### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies to the interim financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results can differ from those estimates based on such definitions.

The significant judgments which management has made about the application of the Group's accounting policies and key sources of uncertainty in estimate do not differ from those used in preparing the consolidated financial statements for the year ended December 31, 2017, except the Group's policy, accounting estimates and assumptions described below;

#### (1) Income taxes

The Group is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations which makes the ultimate tax determination uncertain. If certain portion of the taxable income is not used for investments, increase in wages, and others in accordance with the Tax System for Promotion of investment and Collaborative Cooperation (Recirculation of Corporate Income), the Group is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2018. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new system. As the Group's income tax is dependent on the investments, increase in wages, and others, there exists uncertainty with regard to measuring the final tax effects.

#### (2) Provisions for credit losses (allowances for loan losses, provisions for acceptances and guarantees, and unused loan commitments)

In accordance with IFRS 9, the Group tests impairment and recognizes allowances for losses on financial assets classified at amortized cost, and debt instruments measured at fair value through other comprehensive income and lease receivables through impairment testing and recognizes provisions for guarantees, and unused loan commitments. Accuracy of provisions for credit losses is dependent upon estimation of expected cash flows of the borrower for individually assessed allowances of loans, and upon assumptions and methodology used for collectively assessed allowances for the Group's of loans, guarantees and unused loan commitments.

#### 4. RISK MANAGEMENT

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

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

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

##### (1) Credit risk

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

##### 1) Credit risk management

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

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

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

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

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

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

|  |   | September 30, 2018 | December 31, 2017 |
|--|---|--------------------|-------------------|
| Loans and other financial assets at amortized cost | Korean treasury and government agencies | 18,001,232         |                   |
|  | Banks                                   | 18,747,042         |                   |
|  | Corporates                              | 97,141,269         |                   |
|  | Consumers                               | 144,795,354        |                   |
|  | Sub-total                               | 278,684,897        |                   |
| Loans and receivables                              | Korean treasury and government agencies |                    | 8,823,584         |
|  | Banks                                   |                    | 26,845,309        |
|  | Corporates                              |                    | 90,570,551        |
|  | Consumers                               |                    | 140,866,760       |
|  | Sub-total                               |                    | 267,106,204       |
| Financial assets at FVTPL (IFRS 9)                 | Deposit                                 | 27,045             |                   |
|  | Debt securities                         | 1,818,868          |                   |
|  | Loans                                   | 322,907            |                   |
|  | Derivative assets                       | 1,921,399          |                   |
|  | Sub-total                               | 4,090,219          |                   |
| Financial assets at FVTPL (IAS 39)                 | Deposit                                 |                    | 25,972            |
|  | Debt securities                         |                    | 2,644,333         |
|  | Financial assets designated at FVTPL    |                    | 9,694             |
|  | Derivative assets                       |                    | 3,115,775         |
|  | Sub-total                               |                    | 5,795,774         |
| Financial assets at FVTOCI                         | Debt securities                         | 15,148,280         |                   |
| AFS financial assets                               | Debt securities                         |                    | 13,229,244        |
| Securities at amortized cost                       | Debt securities                         | 19,121,604         |                   |
| HTM financial assets                               | Debt securities                         |                    | 16,749,296        |
| Derivative assets                                  | Derivative assets (Held for hedging)    | 13,716             | 59,272            |
| Off-balance accounts                               | Guarantees                              | 12,475,470         | 12,859,715        |
|  | Loan commitments                        | 97,085,991         | 80,760,325        |
|  | Sub-total                               | 109,561,461        | 93,620,040        |
|  | total                                   | 426,620,177        | 396,559,830       |

## a) Credit risk exposure by geographical areas

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

|  | September 30, 2018 |                  |                  |                  |                |                   | Total              |
|--|--------------------|------------------|------------------|------------------|----------------|-------------------|--------------------|
|  | Korea              | China            | USA              | UK               | Japan          | Others (*)        |                    |
| Loans and other financial assets at amortized cost | 259,175,016        | 4,849,590        | 4,229,635        | 1,336,132        | 549,769        | 8,544,755         | 278,684,897        |
| Securities at amortized cost                       | 18,968,281         |                  | 71,295           |                  |                | 82,028            | 19,121,604         |
| Financial assets at FVTPL                          | 3,897,918          | 3,583            |                  | 107,099          |                | 81,619            | 4,090,219          |
| Financial assets at FVTOCI                         | 14,105,059         | 29,189           | 158,825          |                  |                | 855,207           | 15,148,280         |
| Derivative assets (Held for hedging)               | 9,391              |                  |                  | 4,325            |                |                   | 13,716             |
| Off-balance accounts                               | 106,974,120        | 873,121          | 210,291          | 113,531          | 22,001         | 1,368,397         | 109,561,461        |
| <b>Total</b>                                       | <b>403,129,785</b> | <b>5,755,483</b> | <b>4,670,046</b> | <b>1,561,087</b> | <b>571,770</b> | <b>10,932,006</b> | <b>426,620,177</b> |

|                                      | December 31, 2017  |                  |                  |                  |                |                   | Total              |
|--------------------------------------|--------------------|------------------|------------------|------------------|----------------|-------------------|--------------------|
|                                      | Korea              | China            | USA              | UK               | Japan          | Others (*)        |                    |
| Loans and receivables                | 250,678,479        | 4,104,912        | 2,823,247        | 1,094,988        | 381,890        | 8,022,688         | 267,106,204        |
| Financial assets at FVTPL            | 5,551,870          | 2,937            |                  | 148,955          |                | 92,012            | 5,795,774          |
| AFS debt securities                  | 12,407,602         | 52,259           | 151,131          |                  |                | 618,252           | 13,229,244         |
| HTM securities                       | 16,606,692         |                  | 63,732           |                  |                | 78,872            | 16,749,296         |
| Derivative assets (Held for hedging) | 16,590             |                  |                  | 42,682           |                |                   | 59,272             |
| Off-balance accounts                 | 91,603,852         | 529,193          | 172,570          | 66,974           | 25,039         | 1,222,412         | 93,620,040         |
| <b>Total</b>                         | <b>376,865,085</b> | <b>4,689,301</b> | <b>3,210,680</b> | <b>1,353,599</b> | <b>406,929</b> | <b>10,034,236</b> | <b>396,559,830</b> |

(\*) Others consist of financial assets in Indonesia, Hong Kong, Singapore, and other countries.

## b) Credit risk exposure by industries

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

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September 30, 2018

|  | Service           | Manufacturing     | Finance and<br>insurance | Construction     | Individuals        | Others            | Total              |
|--|-------------------|-------------------|--------------------------|------------------|--------------------|-------------------|--------------------|
| Loans and other financial assets at amortized cost | 48,718,620        | 35,526,804        | 40,303,976               | 3,587,102        | 140,628,975        | 9,919,420         | 278,684,897        |
| Securities at amortized cost                       | 1,124,406         |                   | 11,503,510               | 416,341          |                    | 6,077,347         | 19,121,604         |
| Financial assets at FVTPL                          | 97,326            | 104,668           | 2,925,489                | 49,797           | 3,735              | 909,204           | 4,090,219          |
| Financial assets at FVTOCI                         | 307,183           | 85,182            | 10,756,520               | 235,127          |                    | 3,764,268         | 15,148,280         |
| Derivative assets (Held for hedging)               |                   |                   | 13,716                   |                  |                    |                   | 13,716             |
| Off-balance accounts                               | 17,873,392        | 21,726,373        | 9,171,373                | 4,108,025        | 49,563,611         | 7,118,687         | 109,561,461        |
| <b>Total</b>                                       | <b>68,120,927</b> | <b>57,443,027</b> | <b>74,674,584</b>        | <b>8,396,392</b> | <b>190,196,321</b> | <b>27,788,926</b> | <b>426,620,177</b> |

December 31, 2017

|                                      | Service           | Manufacturing     | Finance and<br>insurance | Construction     | Individuals        | Others            | Total              |
|--------------------------------------|-------------------|-------------------|--------------------------|------------------|--------------------|-------------------|--------------------|
| Loans and receivables                | 47,192,641        | 34,502,509        | 38,260,051               | 3,574,746        | 133,094,287        | 10,481,970        | 267,106,204        |
| Financial assets at FVTPL            | 100,766           | 83,239            | 4,640,068                | 15,073           | 1,040              | 955,588           | 5,795,774          |
| AFS debt securities                  | 707,737           | 37,719            | 7,331,774                | 153,534          |                    | 4,998,480         | 13,229,244         |
| HTM securities                       | 1,348,754         |                   | 10,962,149               | 296,214          |                    | 4,142,179         | 16,749,296         |
| Derivative assets (Held for hedging) |                   |                   | 59,272                   |                  |                    |                   | 59,272             |
| Off-balance accounts                 | 16,892,926        | 21,427,378        | 9,841,379                | 3,842,479        | 36,928,554         | 4,687,324         | 93,620,040         |
| <b>Total</b>                         | <b>66,242,824</b> | <b>56,050,845</b> | <b>71,094,693</b>        | <b>7,882,046</b> | <b>170,023,881</b> | <b>25,265,541</b> | <b>396,559,830</b> |

3) Credit risk exposure

The allowance to be recognized under IFRS 9 is the amount of expected 12-month credit loss or the expected lifetime credit loss, according to the three stages of credit risk deterioration since initial recognition as shown below:

|                                      | Stage 1  | Stage 2<br>Credit risk has                               | Stage 3   |
|--------------------------------------|--|--|---|
| Allowance for expected credit losses | Credit risk has not significantly increased since initial recognition (*)<br>Expected 12-month credit losses: Expected credit losses due to possible defaults on financial instruments within a 12-month period from the reporting date. | significantly increased<br><br>since initial recognition | Credit has been impaired<br>Expected lifetime credit losses: Expected credit losses due to all possible defaults during the expected lifetime of the financial instruments. |

(\*) Credit risk may be considered to not have been significantly increased when credit risk is low at the reporting date.

The Group has estimated the allowance for credit losses based on experience losses with taken account of forward-looking information.

The probability of default and loss at given default per financial assets considering account type of borrowers, credit rate grade, portfolio are used in estimation of allowance for expected credit losses and those factors are reviewed periodically to reduce the difference of expected losses and actual losses.

The Group also measures expected credit losses using supportive and reasonable macroeconomic indicators, such as economic growth rates, interest rates, and composite stock indices. The methods for the estimation of forward-looking are also regularly reviewed.

The Group undertakes the following procedures in order to predict and apply the forward-looking economic information:

Development of a prediction model by analyzing the correlation between macroeconomic data and yearly default rate of corporate and retail exposures.

Calculation of predicted default rate by applying forward-looking economic information, which includes estimated macroeconomic indices provided by verified institutions such as Bank of Korea and National Assembly Budget Office, to the prediction model developed.

At the end of each period the Group evaluates whether there has been a significant increase in the credit risk since initial recognition. The Group is assessing the change in the risk of a default occurring over the expected life of the financial instruments instead of the change in the amount of expected credit losses. The Group distinguishes corporates/consumers exposures when determining significant increase in credit risk, and the applied methodology is

as follows:

Corporates exposure

Below the precautionary level in assets quality  
Classification under the Regulations on Supervision of  
Banking Business in Korea  
More than 30 days past due  
Watch grade in early warning system established by  
the Group  
Significant change of borrower financial situation  
(Working capital deficiencies, Adverse opinion,  
Disclaimer of opinion by the external auditors)  
Significant decreases in credit ratings

Consumers exposure

Below the precautionary level in assets quality  
classification under the Regulations on  
Supervision of Banking Business in Korea  
More than 30 days past due  
Significant decreases in credit ratings

At the end of each reporting period, the Group assesses whether there is a significant increase in credit risk.

The financial assets are impaired if the following conditions are met;

The principal and interest of the financial assets has been overdue for more than 90 days due to the serious deterioration of the credit condition,

It is deemed that the borrowers will not pay any portion of the debts without actions of recourse such as the disposition of the collateral is not taken

Objective evidence of impairment of financial assets are identified

The Group writes off assets when it is determined that the financial assets are virtually impossible to collect. The Group determines which receivable to write-off and subsequently writes them off in accordance with the company's policy. Regardless of whether assets have been written off, the Group may continue to exercise its right of collection in accordance with company's policy on receivables collection.

a) Financial assets

The maximum exposure to credit risk, except for financial assets at FVTPL and derivative asset (Held for hedging) is as follows (Unit: Korean Won in millions):

|            | September 30, 2018                   |  |                                      |  |           |             |                |             |                                  |
|------------|--------------------------------------|--|--------------------------------------|--|-----------|-------------|----------------|-------------|----------------------------------|
|            | Stage 1                              |  | Stage 2                              |  | Stage 3   | Total       | Loss allowance | Total, net  | Collateral value impaired proper |
|            | Above appropriate credit rating (*1) | Less than a limited credit rating (*3) | Above appropriate credit rating (*2) | Less than a limited credit rating (*3) |           |             |                |             |                                  |
| ns and er  |                                      |  |                                      |  |           |             |                |             |                                  |
| ncial      |                                      |  |                                      |  |           |             |                |             |                                  |
| ets at     |                                      |  |                                      |  |           |             |                |             |                                  |
| ortized    |                                      |  |                                      |  |           |             |                |             |                                  |
|            | 248,120,312                          | 17,913,994                             | 6,371,302                            | 6,481,329                              | 1,585,639 | 280,472,576 | (1,787,679)    | 278,684,897 | 731,7                            |
| ean        |                                      |  |                                      |  |           |             |                |             |                                  |
| asury and  |                                      |  |                                      |  |           |             |                |             |                                  |
| ernment    |                                      |  |                                      |  |           |             |                |             |                                  |
| ncies      | 18,005,413                           |  | 1                                    |  |           | 18,005,414  | (4,182)        | 18,001,232  |                                  |
| ks         | 18,267,000                           | 141,080                                | 346,390                              |  | 11,531    | 18,766,001  | (18,959)       | 18,747,042  |                                  |
| orporates  | 76,487,768                           | 16,164,069                             | 539,329                              | 4,145,546                              | 943,624   | 98,280,336  | (1,139,067)    | 97,141,269  | 473,9                            |
| neral      |                                      |  |                                      |  |           |             |                |             |                                  |
| ness       | 43,816,454                           | 6,749,706                              | 454,214                              | 2,120,784                              | 676,237   | 53,817,395  | (762,103)      | 53,055,292  | 310,3                            |
| all- and   |                                      |  |                                      |  |           |             |                |             |                                  |
| lium-sized |                                      |  |                                      |  |           |             |                |             |                                  |
| erprise    | 28,281,996                           | 8,855,973                              | 85,115                               | 1,856,296                              | 238,873   | 39,318,253  | (337,333)      | 38,980,920  | 144,1                            |
|            | 4,389,318                            | 558,390                                |                                      | 168,466                                | 28,514    | 5,144,688   | (39,631)       | 5,105,057   | 19,4                             |



|                               |             |            |           |           |           |             |             |             |       |
|-------------------------------|-------------|------------|-----------|-----------|-----------|-------------|-------------|-------------|-------|
| ject                          |             |            |           |           |           |             |             |             |       |
| ancing and<br>ers             |             |            |           |           |           |             |             |             |       |
| consumers                     | 135,360,131 | 1,608,845  | 5,485,582 | 2,335,783 | 630,484   | 145,420,825 | (625,471)   | 144,795,354 | 257,7 |
| urities at<br>ortized         |             |            |           |           |           |             |             |             |       |
|                               | 19,127,191  |            |           |           |           | 19,127,191  | (5,587)     | 19,121,604  |       |
| ancial<br>ets at<br>FOCI (*4) | 15,091,002  | 42,126     | 15,152    |           |           | 15,148,280  | (5,229)     | 15,148,280  |       |
| al                            | 282,338,505 | 17,956,120 | 6,386,454 | 6,481,329 | 1,585,639 | 314,748,047 | (1,798,495) | 312,954,781 | 731,7 |

(\*1) Credit grade of corporates are AAA ~ BBB, and consumers are grades 1 ~ 6.

(\*2) Credit grade of corporates are BBB+ ~ BBB and consumers are grades 4 ~ 6.

(\*3) Credit grade of corporates are BBB- ~ C, and consumers are grades 7 ~ 10.

(\*4) Financial assets at FVTOCI has been disclosed as the amount before deducting loss allowance because loss allowance does not reduce the carrying amount.

## Loans and receivables

|                              | December 31, 2017                       |                   |                   |  |                              |                   |                    |                    |
|------------------------------|---|-------------------|-------------------|--|------------------------------|-------------------|--------------------|--------------------|
|                              | Korean treasury and government agencies | Banks             | General business  | Corporates Small and medium sized enterprise | Project financing and others | Sub-total         | Consumers          | Total              |
| Neither overdue nor impaired | 8,825,767                               | 26,861,286        | 50,463,112        | 34,107,547                                   | 5,547,950                    | 90,118,609        | 139,886,407        | 265,692,069        |
| Overdue but not impaired     | 8                                       |                   | 65,616            | 63,067                                       |                              | 128,683           | 878,406            | 1,007,097          |
| Impaired                     |   |                   | 1,402,131         | 251,431                                      | 46,717                       | 1,700,279         | 537,001            | 2,237,280          |
| <b>Total</b>                 | <b>8,825,775</b>                        | <b>26,861,286</b> | <b>51,930,859</b> | <b>34,422,045</b>                            | <b>5,594,667</b>             | <b>91,947,571</b> | <b>141,301,814</b> | <b>268,936,446</b> |
| Loss allowance               | 2,191                                   | 15,977            | 1,078,733         | 267,162                                      | 31,125                       | 1,377,020         | 435,054            | 1,830,242          |
| <b>Total, net</b>            | <b>8,823,584</b>                        | <b>26,845,309</b> | <b>50,852,126</b> | <b>34,154,883</b>                            | <b>5,563,542</b>             | <b>90,570,551</b> | <b>140,866,760</b> | <b>267,106,204</b> |

## Debt securities

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

|              | December 31, 2017             |                     |                   |                   |
|--------------|-------------------------------|---------------------|-------------------|-------------------|
|              | Financial assets at FVTPL (*) | AFS debt securities | HTM securities    | Total             |
| AAA          | 1,685,099                     | 9,897,689           | 15,806,327        | 27,389,115        |
| AA- ~ AA+    | 722,923                       | 2,386,567           | 888,547           | 3,998,037         |
| BBB- ~ A+    | 236,311                       | 876,482             | 52,188            | 1,164,981         |
| Below BBB-   | 9,694                         | 68,506              | 2,234             | 80,434            |
| <b>Total</b> | <b>2,654,027</b>              | <b>13,229,244</b>   | <b>16,749,296</b> | <b>32,632,567</b> |

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

## b) Guarantees and loan commitments

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The credit quality of the guarantees and loan commitments as of September 30, 2018 as follows (Unit: Korean Won in millions):

|                      | September 30, 2018                   |  |                                      |  | Stage 3 | Total       |
|----------------------|--------------------------------------|--|--------------------------------------|--|---------|-------------|
|                      | Stage 1                              |  | Stage 2                              |  |         |             |
|                      | Above appropriate credit rating (*1) | Less than a limited credit rating (*3) | Above appropriate credit rating (*2) | Less than a limited credit rating (*3) |         |             |
| Financial assets     |                                      |  |                                      |  |         |             |
| Off-balance accounts |                                      |  |                                      |  |         |             |
| Guarantees           | 10,859,936                           | 1,077,716                              | 5,057                                | 410,517                                | 122,244 | 12,475,470  |
| Loan commitments     | 91,170,081                           | 3,516,699                              | 1,486,696                            | 893,759                                | 18,756  | 97,085,991  |
| Total                | 102,030,017                          | 4,594,415                              | 1,491,753                            | 1,304,276                              | 141,000 | 109,561,461 |

(\*1) Credit grade of corporates are above BBB, and consumers are grades above 6.

(\*2) Credit grade of corporates are BBB+ ~ BBB and consumers are grade 4 ~ 6.

(\*3) Credit grade of corporate are BBB- ~ C, and consumers are grades 7 ~ 10.

#### 4) Collateral and other credit enhancements

During the current quarter, there have been no significant changes in the value of collateral or other credit enhancements held by the Group and there have been no significant changes in collateral or other credit enhancements due to changes in the collateral policy of the Group. As of September 30, 2018, there are no financial assets that do not recognize the allowance for losses just because financial assets have collateral.

#### (2) Market risk

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

##### 1) Market risk management

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

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

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

##### 2) Sensitivity analysis of market risk

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

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

For the non-trading activities, interest rate Earning at Risk ( EaR ) and interest rate VaR, which is based on the simulations of the Net Interest Income ( NII ) and Net Portfolio Value ( NPV ), are calculated for the Bank and the consolidated trusts, and the risks for all other subsidiaries are measured and managed by the interest rate EaR and the

interest rate VaR calculations based on the Bank for International Settlements ( BIS ) Framework.

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

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

a) Trading activities

The minimum, maximum and average VaR for the nine months ended September 30, 2018 and for the year ended December 31, 2017, respectively, and the VaR as of September 30, 2018 and December 31, 2017, respectively, are as follows (Unit: Korean Won in millions):

| Risk factor        | For the nine months ended<br>September 30, 2018 |         |         |         | For the year ended<br>December 31, 2017 |         |         |         |
|--------------------|---|---------|---------|---------|---|---------|---------|---------|
|                    | September 30, 2018                              | Average | Maximum | Minimum | September 30, 2018                      | Average | Maximum | Minimum |
| Interest rate      | 4,955   | 3,794   | 5,528   | 1,730   | 4,183                                   | 3,799   | 4,918   | 2,467   |
| Stock price        | 2,682   | 2,575   | 4,618   | 1,138   | 909                                     | 2,863   | 4,419   | 909     |
| Foreign currencies | 5,038   | 4,553   | 6,136   | 3,439   | 4,750                                   | 5,051   | 6,636   | 4,061   |
| Commodity price    | 17  | 1       | 17      |         |   | 31      | 188     |         |
| Diversification    | (6,892)   | (4,788) | (7,685) | (1,815) | (4,472)                                 | (4,621) | (6,798) | (2,067) |
| Total VaR (*)      | 5,800   | 6,135   | 8,614   | 4,492   | 5,370                                   | 7,123   | 9,363   | 5,370   |

(\*) VaR(Value at Risk): Maximum expected losses

b) Non-trading activities

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

|                    | September 30, 2018 |            | December 31, 2017 |            |
|--------------------|--------------------|------------|-------------------|------------|
|                    | NII (*1)           | NPV (*2)   | NII (*1)          | NPV (*2)   |
| Base case          | 4,713,257          | 24,686,971 | 4,916,138         | 23,472,792 |
| Base case (Prepay) | 4,704,711          | 24,380,159 | 4,916,015         | 23,163,942 |
| IR 100bp up        | 5,209,637          | 24,550,082 | 5,361,546         | 22,886,122 |
| IR 100bp down      | 4,294,765          | 24,846,145 | 4,386,437         | 24,127,559 |
| IR 200bp up        | 6,071,377          | 24,430,336 | 5,806,723         | 22,372,208 |
| IR 200bp down      | 3,783,567          | 25,035,233 | 3,452,590         | 24,830,482 |
| IR 300bp up        | 6,852,372          | 24,324,139 | 6,251,897         | 21,929,189 |
| IR 300bp down      | 3,647,006          | 25,266,044 | 2,254,609         | 26,633,807 |

(\*1) NII: Net Interest Income

(\*2) NPV: Net Portfolio Value

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

|  | September 30, 2018 |          | December 31, 2017 |          |
|--|--------------------|----------|-------------------|----------|
|  | EaR (*1)           | VaR (*2) | EaR (*1)          | VaR (*2) |
|  | 258,121            | 168,335  | 255,679           | 130,821  |

(\*1) EaR(Earning at Risk): Change of Maximum expected income and expense

(\*2) VaR(Value at Risk): Maximum expected losses

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

|  | September 30, 2018 |                   |                   |                   |                   |                  | Total              |
|--|--------------------|-------------------|-------------------|-------------------|-------------------|------------------|--------------------|
|  | Within 3 months    | 4 to 6 months     | 7 to 9 months     | 10 to 12 months   | 1 to 5 years      | Over 5 years     |                    |
| <b>Asset:</b>                                      |                    |                   |                   |                   |                   |                  |                    |
| Loans and other financial assets at amortized cost | 151,532,534        | 44,044,660        | 8,844,675         | 8,524,447         | 46,037,186        | 3,678,776        | 262,662,278        |
| Financial assets at FVTPL                          | 270,110            | 84,149            | 57,810            | 33,077            | 58,007            | 20,364           | 523,517            |
| Financial assets at FVTOCI                         | 3,267,328          | 1,939,108         | 1,562,900         | 1,397,493         | 7,127,479         | 172,862          | 15,467,170         |
| Securities at amortized cost                       | 2,424,853          | 1,892,024         | 2,005,818         | 1,630,934         | 11,639,628        | 361,671          | 19,954,928         |
| <b>Total</b>                                       | <b>157,494,825</b> | <b>47,959,941</b> | <b>12,471,203</b> | <b>11,585,951</b> | <b>64,862,300</b> | <b>4,233,673</b> | <b>298,607,893</b> |
| <b>Liability:</b>                                  |                    |                   |                   |                   |                   |                  |                    |
| Deposits due to customers                          | 110,001,139        | 41,385,423        | 29,385,954        | 18,678,082        | 38,131,534        | 66,279           | 237,648,411        |
| Borrowings   | 8,538,594          | 2,927,614         | 585,676           | 502,485           | 2,917,602         | 696,275          | 16,168,246         |
| Debentures   | 1,742,589          | 2,192,041         | 2,417,121         | 2,191,199         | 18,692,490        | 2,895,263        | 30,130,703         |
| <b>Total</b>                                       | <b>120,282,322</b> | <b>46,505,078</b> | <b>32,388,751</b> | <b>21,371,766</b> | <b>59,741,626</b> | <b>3,657,817</b> | <b>283,947,360</b> |

|                       | December 31, 2017  |                   |                   |                   |                   |                   | Total              |
|-----------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
|                       | Within 3 months    | 4 to 6 months     | 7 to 9 months     | 10 to 12 months   | 1 to 5 years      | Over 5 years      |                    |
| <b>Asset:</b>         |                    |                   |                   |                   |                   |                   |                    |
| Loans and receivables | 161,653,892        | 41,671,530        | 7,614,159         | 6,411,841         | 54,150,998        | 26,272,958        | 297,775,378        |
| AFS financial assets  | 2,150,708          | 2,500,103         | 2,016,711         | 2,367,762         | 4,229,000         | 601,735           | 13,866,019         |
| HTM financial assets  | 2,286,179          | 2,161,467         | 1,433,425         | 1,687,362         | 9,369,794         | 345,868           | 17,284,095         |
| <b>Total</b>          | <b>166,090,779</b> | <b>46,333,100</b> | <b>11,064,295</b> | <b>10,466,965</b> | <b>67,749,792</b> | <b>27,220,561</b> | <b>328,925,492</b> |



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Liability:

|                           |             |            |            |            |            |           |             |
|---------------------------|-------------|------------|------------|------------|------------|-----------|-------------|
| Deposits due to customers | 106,815,564 | 37,750,367 | 25,117,556 | 27,585,458 | 37,518,878 | 91,246    | 234,879,069 |
| Borrowings                | 9,865,249   | 1,056,579  | 412,966    | 437,431    | 2,709,010  | 479,827   | 14,961,062  |
| Debentures                | 1,955,902   | 2,452,240  | 1,018,563  | 1,752,847  | 19,770,538 | 2,869,766 | 29,819,856  |
| Total                     | 118,636,715 | 41,259,186 | 26,549,085 | 29,775,736 | 59,998,426 | 3,440,839 | 279,659,987 |

## 3) Currency risk

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

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

|  | September 30, 2018  |                             |                     |                             |                     |                             |                     |                             |                             |               |
|--|---------------------|-----------------------------|---------------------|-----------------------------|---------------------|-----------------------------|---------------------|-----------------------------|-----------------------------|---------------|
|  | USD                 |                             | JPY                 |                             | CNY                 |                             | EUR                 |                             | Others                      | T             |
|  | Foreign<br>currency | Korean<br>Won<br>equivalent | Foreign<br>currency | Korean<br>Won<br>equivalent | Foreign<br>currency | Korean<br>Won<br>equivalent | Foreign<br>currency | Korean<br>Won<br>equivalent | Korean<br>Won<br>equivalent | K<br>V<br>equ |
| Loans and other<br>financial assets at<br>amortized cost | 25,397              | 28,258,170                  | 155,998             | 1,524,936                   | 29,587              | 4,786,589                   | 1,548               | 2,003,929                   | 4,443,257                   | 41,           |
| Financial assets at<br>FVTPL                             | 38                  | 42,294                      | 509                 | 4,993                       |                     |                             | 10                  | 13,468                      | 182,009                     |               |
| Financial assets at<br>FVTOCI                            | 1,730               | 1,924,581                   |                     |                             | 180                 | 29,189                      |                     |                             | 334,657                     | 2,            |
| Securities at<br>amortized cost                          | 111                 | 123,756                     |                     |                             |                     |                             |                     |                             | 82,050                      |               |
| <b>Total</b>   | <b>27,276</b>       | <b>30,348,801</b>           | <b>156,507</b>      | <b>1,529,929</b>            | <b>29,767</b>       | <b>4,815,778</b>            | <b>1,558</b>        | <b>2,017,397</b>            | <b>5,041,973</b>            | <b>43,</b>    |
| Financial liabilities<br>at FVTPL                        | 62                  | 69,084                      | 452                 | 4,431                       |                     |                             | 30                  | 38,438                      | 112,012                     |               |
| Deposits due to<br>customer                              | 12,376              | 13,764,056                  | 169,598             | 1,664,042                   | 23,544              | 3,808,868                   | 809                 | 1,047,643                   | 2,649,540                   | 22,           |
| Borrowings   | 6,229               | 6,930,726                   | 1,260               | 12,365                      | 470                 | 76,103                      | 247                 | 319,850                     | 324,670                     | 7,            |
| Debentures   | 4,042               | 4,497,903                   |                     |                             |                     |                             |                     |                             | 283,701                     | 4,            |
| Other financial<br>liabilities                           | 3,152               | 3,502,190                   | 35,886              | 352,103                     | 1,318               | 213,252                     | 160                 | 207,313                     | 86,478                      | 4,            |
| <b>Total</b>   | <b>25,861</b>       | <b>28,763,959</b>           | <b>207,196</b>      | <b>2,032,941</b>            | <b>25,332</b>       | <b>4,098,223</b>            | <b>1,246</b>        | <b>1,613,244</b>            | <b>3,456,401</b>            | <b>39,</b>    |
| Finance accounts   | 7,010               | 7,799,660                   | 35,311              | 346,457                     | 4,962               | 802,684                     | 469                 | 607,464                     | 856,294                     | 10,           |
|  | December 31, 2017   |                             |                     |                             |                     |                             |                     |                             |                             |               |
|  | USD                 |                             | JPY                 |                             | CNY                 |                             | EUR                 |                             | Others                      | T             |
|  | Foreign<br>currency | Korean<br>Won<br>equivalent | Foreign<br>currency | Korean<br>Won<br>equivalent | Foreign<br>currency | Korean<br>Won<br>equivalent | Foreign<br>currency | Korean<br>Won<br>equivalent | Korean<br>Won<br>equivalent | K<br>V<br>equ |
| Loans and<br>receivables                                 | 23,000              | 24,642,900                  | 126,944             | 1,204,843                   | 25,224              | 4,127,936                   | 1,156               | 1,479,351                   | 3,937,733                   | 35,           |
|  | 32                  | 34,303                      | 25                  | 238                         |                     |                             | 27                  | 34,583                      | 104,892                     |               |

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|                                |        |            |         |           |        |           |       |           |           |     |
|--------------------------------|--------|------------|---------|-----------|--------|-----------|-------|-----------|-----------|-----|
| Financial assets at FVTPL      |        |            |         |           |        |           |       |           |           |     |
| AFS financial assets           | 1,966  | 2,105,972  |         |           | 319    | 52,259    |       | 590       | 302,801   | 2,  |
| HTM financial assets           | 111    | 118,868    |         |           |        |           |       |           | 78,175    |     |
| Total                          | 25,109 | 26,902,043 | 126,969 | 1,205,081 | 25,543 | 4,180,195 | 1,183 | 1,514,524 | 4,423,601 | 38, |
| Financial liabilities at FVTPL | 41     | 43,423     | 79      | 752       |        |           | 19    | 24,878    | 69,977    |     |
| Deposits due to customer       | 13,744 | 14,725,686 | 195,176 | 1,852,440 | 21,865 | 3,578,142 | 883   | 1,129,802 | 2,396,826 | 23, |
| Borrowings                     | 6,604  | 7,080,118  | 2,218   | 21,056    |        |           | 247   | 315,685   | 242,874   | 7,  |
| Debentures                     | 3,467  | 3,714,411  |         |           | 700    | 114,555   |       |           | 375,749   | 4,  |
| Other financial liabilities    | 2,392  | 2,562,740  | 16,125  | 153,043   | 1,802  | 294,950   | 129   | 165,189   | 588,625   | 3,  |
| Total                          | 26,248 | 28,126,378 | 213,598 | 2,027,291 | 24,367 | 3,987,647 | 1,278 | 1,635,554 | 3,647,051 | 39, |
| Finance accounts               | 8,108  | 8,687,009  | 33,624  | 319,127   | 1,199  | 196,261   | 406   | 519,843   | 176,886   | 9,  |

## (3) Liquidity risk

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

## 1) Liquidity risk management

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

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

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

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

|                                | September 30, 2018 |               |               |                 |              |              | Total       |
|--------------------------------|--------------------|---------------|---------------|-----------------|--------------|--------------|-------------|
|                                | Within 3 months    | 4 to 6 months | 7 to 9 months | 10 to 12 months | 1 to 5 years | Over 5 years |             |
| Financial liabilities at FVTPL | 214,941            | 82            |               |                 |              |              | 215,023     |
| Deposits due to customers      | 151,910,998        | 30,991,036    | 23,044,605    | 25,310,930      | 6,639,946    | 1,893,204    | 239,790,719 |
| Borrowings                     | 5,061,517          | 3,703,374     | 1,656,860     | 1,700,574       | 3,394,586    | 713,838      | 16,230,749  |
| Debentures                     | 1,742,589          | 2,192,041     | 2,417,121     | 2,191,199       | 18,692,490   | 2,895,263    | 30,130,703  |
| Other financial liabilities    | 15,158,656         | 54,413        | 167,450       | 2,737           | 694,086      | 2,141,543    | 18,218,885  |
| Total                          | 174,088,701        | 36,940,946    | 27,286,036    | 29,205,440      | 29,421,108   | 7,643,848    | 304,586,079 |

|                          | December 31, 2017 |               |               |                 |              |              | Total   |
|--------------------------|-------------------|---------------|---------------|-----------------|--------------|--------------|---------|
|                          | Within 3 months   | 4 to 6 months | 7 to 9 months | 10 to 12 months | 1 to 5 years | Over 5 years |         |
| Financial liabilities at | 168,442           | 155,984       | 1,717         | 512             | 375          |              | 327,030 |

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|                                   |             |            |            |            |            |           |             |
|-----------------------------------|-------------|------------|------------|------------|------------|-----------|-------------|
| FVTPL                             |             |            |            |            |            |           |             |
| Deposits<br>due to<br>customers   | 148,008,777 | 29,563,310 | 18,175,348 | 32,468,110 | 7,409,118  | 2,624,594 | 238,249,257 |
| Borrowings                        | 6,115,732   | 1,893,173  | 1,489,272  | 1,178,107  | 3,924,681  | 479,568   | 15,080,533  |
| Debentures                        | 1,955,255   | 2,452,565  | 1,018,714  | 1,744,731  | 19,770,380 | 2,869,699 | 29,811,344  |
| Other<br>financial<br>liabilities | 7,121,342   | 162,871    | 825        | 1,003      | 128,940    | 2,730,001 | 10,144,982  |
| Total                             | 163,369,548 | 34,227,903 | 20,685,876 | 35,392,463 | 31,233,494 | 8,703,862 | 293,613,146 |

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

|                                | September 30, 2018 |               |               |                 |              |              | Total       |
|--------------------------------|--------------------|---------------|---------------|-----------------|--------------|--------------|-------------|
|                                | Within 3 months    | 4 to 6 months | 7 to 9 months | 10 to 12 months | 1 to 5 years | Over 5 years |             |
| Financial liabilities at FVTPL | 214,941            | 82            |               |                 |              |              | 215,023     |
| Deposits due to customers      | 162,280,313        | 32,668,245    | 19,937,299    | 18,869,178      | 5,320,582    | 116,506      | 239,192,123 |
| Borrowings                     | 5,061,517          | 3,703,374     | 1,656,860     | 1,700,574       | 3,394,586    | 713,838      | 16,230,749  |
| Debentures                     | 1,742,589          | 2,192,041     | 2,417,121     | 2,191,199       | 18,692,490   | 2,895,263    | 30,130,703  |
| Other financial liabilities    | 15,158,656         | 54,413        | 167,450       | 2,737           | 694,086      | 2,141,543    | 18,218,885  |
| Total                          | 184,458,016        | 38,618,155    | 24,178,730    | 22,763,688      | 28,101,744   | 5,867,150    | 303,987,483 |

|                                | December 31, 2017 |               |               |                 |              |              | Total       |
|--------------------------------|-------------------|---------------|---------------|-----------------|--------------|--------------|-------------|
|                                | Within 3 months   | 4 to 6 months | 7 to 9 months | 10 to 12 months | 1 to 5 years | Over 5 years |             |
| Financial liabilities at FVTPL | 168,442           | 155,984       | 1,717         | 512             | 375          |              | 327,030     |
| Deposits due to customers      | 159,146,602       | 31,298,562    | 16,667,130    | 21,995,294      | 6,487,047    | 2,278,756    | 237,873,391 |
| Borrowings                     | 6,115,732         | 1,893,173     | 1,489,272     | 1,178,107       | 3,924,681    | 479,568      | 15,080,533  |
| Debentures                     | 1,955,255         | 2,452,565     | 1,018,714     | 1,744,731       | 19,770,380   | 2,869,699    | 29,811,344  |
| Other financial liabilities    | 7,121,342         | 162,871       | 825           | 1,003           | 128,940      | 2,730,001    | 10,144,982  |
| Total                          | 174,507,373       | 35,963,155    | 19,177,658    | 24,919,647      | 30,311,423   | 8,358,024    | 293,237,280 |

3) Maturity analysis of derivative financial liabilities

Derivatives held for trading purpose are not managed in accordance with their contractual maturity, since the Group holds such financial instruments with the purpose of disposing or redemption before their maturity. As such, those derivatives are incorporated as within 3 months in the table below.

Derivatives held for hedging purpose are estimated by offsetting cash inflows and cash outflows.

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The cash flow by the maturity of derivative financial liabilities as of September 30, 2018 and December 31, 2017 is as follows (Unit: Korean Won in millions):

|                    | Within 3<br>months | 4 to 6<br>months | Remaining maturity |                    |                 |       | Over 5<br>years | Total |
|--------------------|--------------------|------------------|--------------------|--------------------|-----------------|-------|-----------------|-------|
|                    |                    |                  | 7 to 9<br>months   | 10 to 12<br>months | 1 to 5<br>years |       |                 |       |
| September 30, 2018 | 2,007,243          |                  |                    |                    | 69,972          | 4,135 | 2,081,350       |       |
| December 31, 2017  | 3,150,149          |                  |                    | 381                | 67,373          |       | 3,217,903       |       |

4) Maturity analysis of off-balance accounts

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

|                  | September 30, 2018 | December 31, 2017 |
|------------------|--------------------|-------------------|
| Guarantees       | 12,475,470         | 12,859,715        |
| Loan commitments | 97,085,991         | 80,760,325        |

**(4) Operational risk**

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

**1) Operational risk management**

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

**2) Operational risk measurement**

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

**(5) Capital management**

The Group complies with the standard of capital adequacy provided by financial regulatory authorities. The capital adequacy standard is based on Basel published by Basel III Committee on Banking Supervision in Bank for International Settlement in 2010 and was implemented in Korea in December 2013. The capital adequacy ratio is calculated by dividing own capital by asset (weighted with a risk premium risk weighted assets) based on the consolidated financial statements of the Group.

According to the above regulations, the Group is required to meet the following new minimum requirements: Common Equity Tier 1 capital ratio of 7.13% and 6.25%, a minimum Tier 1 ratio of 8.63% and 7.75% and a minimum total regulatory capital of 10.63% and 9.75% as of September 30, 2018 and December 31, 2017, respectively.

Details of the Group's capital adequacy ratio as of September 30, 2018 and December 31, 2017 are as follows (Unit: Korean Won in millions):

|   | September 30, 2018 | December 31, 2017 |
|---|--------------------|-------------------|
| Tier 1 capital                            | 17,510,489         | 16,074,987        |
| Other Tier 1 capital                      | 3,146,975          | 3,041,664         |
| Tier 2 capital                            | 3,824,033          | 3,486,555         |
| Total risk-adjusted capital               | 24,481,497         | 22,603,206        |
| Risk-weighted assets for credit risk      | 141,904,674        | 134,767,711       |
| Risk-weighted assets for market risk      | 2,381,287          | 2,316,938         |
| Risk-weighted assets for operational risk | 9,938,192          | 9,677,559         |



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|                            |             |             |
|----------------------------|-------------|-------------|
| Total risk-weighted assets | 154,224,153 | 146,762,208 |
| Common Equity Tier 1 ratio | 11.35%      | 10.95%      |
| Tier 1 capital ratio       | 13.39%      | 13.03%      |
| Total capital ratio        | 15.87%      | 15.40%      |

## 5. OPERATING SEGMENTS

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

### (1) Segment by type of customers

The Group's reporting segments comprise the following customers: consumer banking, corporate banking, investment banking, capital market, credit card market and headquarters and others. The reportable segments are classified based on the target customers for whom the service is being provided.

Consumer banking: Loans/deposits and financial services for retail and individual consumers, etc.

Corporate banking: Loans/deposits and export/import, financial services for corporations, etc.

Investment banking: Domestic/foreign investment, structured finance, M&A, equity & fund investment related business, venture advisory related tasks, real estate SOC development practices, etc.

Capital market: Fund management, investment in securities and derivatives, etc.

Credit card: Credit card, cash service and card loan, etc.

Headquarter and others: Segments that do not belong to above operating segments

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

|                               | For the nine months ended September 30, 2018 |                   |                    |                |              |                         |             |             |             |
|-------------------------------|--|-------------------|--------------------|----------------|--------------|-------------------------|-------------|-------------|-------------|
|                               | Consumer banking                             | Corporate banking | Investment banking | Capital market | Credit cards | Headquarters and others | Sub-total   | Adjustments | Total       |
| Net Interest income (expense) |  |                   |                    |                |              |                         |             |             |             |
| Interest income               | 2,601,854                                    | 2,509,028         | 112,975            | 7,563          | 496,064      | 1,164,324               | 6,891,808   | 228,382     | 7,120,190   |
| Interest expense              | (761,336)                                    | (1,548,717)       | (134)              |                | (117,539)    | (721,401)               | (3,149,127) | 226,086     | (2,923,041) |
| Inter-segment                 | (445,593)                                    | 589,252           | (119,741)          | 19,750         |              | (43,668)                |             |             |             |
|                               | 1,394,925                                    | 1,549,563         | (6,900)            | 27,313         | 378,525      | 399,255                 | 3,742,681   | 454,468     | 4,197,149   |

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|  |             |           |          |             |           |           |             |           |             |
|--|-------------|-----------|----------|-------------|-----------|-----------|-------------|-----------|-------------|
| et   |             |           |          |             |           |           |             |           |             |
| on-interest<br>come<br>(expense)   |             |           |          |             |           |           |             |           |             |
| on-interest<br>come  | 543,436     | 598,600   | 172,658  | 5,488,289   | 894,604   | 944,744   | 8,642,331   | (352,948) | 8,289,383   |
| on-interest<br>expense   | (134,910)   | (182,239) | (46,517) | (5,445,633) | (844,787) | (523,902) | (7,177,988) | (277,521) | (7,455,509) |
| ter-segment  | 110,481     | 53,546    |          |             |           | (164,027) |             |           |             |
|  | 519,007     | 469,907   | 126,141  | 42,656      | 49,817    | 256,815   | 1,464,343   | (630,469) | 833,874     |
| ther income<br>(expense)   |             |           |          |             |           |           |             |           |             |
| eneral and<br>administrative<br>expense  | (1,339,229) | (624,811) | (8,842)  | (12,014)    | (123,480) | (482,200) | (2,590,576) | 204,465   | (2,386,111) |
| eversal of<br>allowance for<br>redit loss and<br>mpairment<br>asses due to<br>redit loss | (80,723)    | 103,293   | 54,630   | (1,891)     | (181,119) | 75,613    | (30,197)    | (41,186)  | (71,383)    |
|  | (1,419,952) | (521,518) | 45,788   | (13,905)    | (304,599) | (406,587) | (2,620,773) | 163,279   | (2,457,494) |
| perating<br>come<br>(expenses)   | 493,980     | 1,497,952 | 165,029  | 56,064      | 123,743   | 249,483   | 2,586,251   | (12,722)  | 2,573,529   |
| on-operating<br>come<br>(expenses)   | (15,597)    | 1,245     | 24,928   |             | (5,947)   | 71,593    | 76,222      | (22,431)  | 53,791      |
| et income<br>(expense)   |             |           |          |             |           |           |             |           |             |
| efore income<br>x expense  | 478,383     | 1,499,197 | 189,957  | 56,064      | 117,796   | 321,076   | 2,662,473   | (35,153)  | 2,627,320   |
| come tax<br>expense  | (131,555)   | (381,492) | (52,239) | (15,418)    | (29,172)  | (96,228)  | (706,104)   | (364)     | (706,468)   |
| et income<br>(expense)   | 346,828     | 1,117,705 | 137,718  | 40,646      | 88,624    | 224,848   | 1,956,369   | (35,517)  | 1,920,852   |

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|  | For the nine months ended September 30, 2017 |                   |                    |                |              |                         |             |             |             |
|--|--|-------------------|--------------------|----------------|--------------|-------------------------|-------------|-------------|-------------|
|  | Consumer banking                             | Corporate banking | Investment banking | Capital market | Credit cards | Headquarters and others | Sub-total   | Adjustments | Total       |
| Net Interest Income  |  |                   |                    |                |              |                         |             |             |             |
| Interest Income  | 2,332,134                                    | 2,196,051         | 108,570            | 14,328         | 442,903      | 1,053,361               | 6,147,347   | 230,066     | 6,377,411   |
| Interest Expense   | (717,708)                                    | (1,238,742)       | (186)              |                | (100,153)    | (627,858)               | (2,684,647) | 209,110     | (2,475,533) |
| Inter-segment  | (379,017)                                    | 358,953           | (100,697)          | 11,402         |              | 109,359                 |             |             |             |
|  | 1,235,409                                    | 1,316,262         | 7,687              | 25,730         | 342,750      | 534,862                 | 3,462,700   | 439,176     | 3,901,876   |
| Net Non-interest Income (Expense)                                    |  |                   |                    |                |              |                         |             |             |             |
| Non-interest Income  | 598,446                                      | 503,820           | 272,024            | 6,155,339      | 836,721      | 1,801,968               | 10,168,318  | (195,768)   | 9,972,550   |
| Non-interest Expense   | (182,815)                                    | (104,265)         | (152,512)          | (6,125,701)    | (782,048)    | (1,348,035)             | (8,695,376) | (372,448)   | (9,067,822) |
| Inter-segment  | 73,469                                       | 44,857            |                    |                |              | (118,326)               |             |             |             |
|  | 489,100                                      | 444,412           | 119,512            | 29,638         | 54,673       | 335,607                 | 1,472,942   | (568,216)   | 904,722     |
| Other Income (Expense)   |  |                   |                    |                |              |                         |             |             |             |
| General and Administrative Expense                                   | (1,337,680)                                  | (618,969)         | (8,434)            | (11,309)       | (118,846)    | (741,176)               | (2,836,414) | 189,362     | (2,647,052) |
| Provision for Credit Loss and Impairment Expenses due to Credit Loss | (70,180)                                     | (240,903)         | 15,005             | 20,356         | (162,247)    | 134,810                 | (308,159)   | (49,475)    | (357,633)   |
|  | (1,407,860)                                  | (859,872)         | 6,571              | 9,047          | (286,093)    | (606,366)               | (3,144,573) | 139,887     | (3,004,686) |
| Operating Income   | 316,649                                      | 900,802           | 133,770            | 64,415         | 111,330      | 264,103                 | 1,791,069   | 10,847      | 1,801,911   |
| Non-operating Income (Expense)                                       | 3,304  | (3,097)           | 32,832             |                | (4,097)      | (25,334)                | 3,608       | (3,938)     | (33,720)    |
| Net Income Before Income Tax Expense                                 | 319,953                                      | 897,705           | 166,602            | 64,415         | 107,233      | 238,769                 | 1,794,677   | 6,909       | 1,801,588   |
| Income Tax Expense   | (77,429)                                     | (204,541)         | (40,318)           | (15,588)       | (25,900)     | (8,148)                 | (371,924)   | (37,221)    | (409,149)   |

|            |         |         |         |        |        |         |           |          |          |  |
|------------|---------|---------|---------|--------|--------|---------|-----------|----------|----------|--|
| Net income |         |         |         |        |        |         |           |          |          |  |
| (expense)  | 242,524 | 693,164 | 126,284 | 48,827 | 81,333 | 230,621 | 1,422,753 | (30,312) | 1,392,44 |  |

(2) Information on products and services

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

(3) Information on geographical areas

Of the Group's revenue (interest income and non-interest income) from services, revenue from the domestic customers for the nine months ended September 30, 2018 and 2017 amounted to 14,359,474 million Won and 15,525,861 million Won, respectively, and revenue from the foreign customers amounted to 1,050,099 million Won and 824,102 million Won, respectively. Of the Group's non-current assets (investments in joint ventures and associates, investment properties, premises and equipment and intangible assets), non-current assets attributed to domestic subsidiaries as of September 30, 2018 and December 31, 2017 are 3,558,612 million Won and 3,550,764 million Won, respectively, and foreign subsidiaries are 223,869 million Won and 233,732 million Won, respectively.

## 6. CASH AND CASH EQUIVALENTS

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

|                    | September 30, 2018 | December 31, 2017 |
|--------------------|--------------------|-------------------|
| Cash               | 1,991,580          | 2,009,363         |
| Foreign currencies | 763,114            | 617,155           |
| Demand deposits    | 2,934,296          | 3,423,355         |
| Fixed deposits     | 315,514            | 858,413           |
| <b>Total</b>       | <b>6,004,504</b>   | <b>6,908,286</b>  |

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

|   | For the nine months<br>ended<br>September 30, 2018 | For the nine months<br>ended<br>September 30, 2017 |
|---|--|--|
| Changes in other comprehensive gain due to remeasurement of financial assets designated at FVTOCI | 33,333   |  |
| Changes in other comprehensive loss due to valuation of AFS financial assets                      |  | (51,041)   |
| Changes in other comprehensive income of investment in associates                                 | 3,676  | 4,917  |
| Changes in other comprehensive gain (loss) of foreign operations translation                      | (27,226)   | (54,522)   |
| Changes in other comprehensive loss related to valuation of cash flow hedging                     | (3,510)  | (1,247)  |
| Changes in other comprehensive loss due to remeasurement of the net defined benefit liability     | (43,269)   | 13,143   |
| Changes in investments in associates due to debt-equity swap                                      |  | 51,227   |
| Changes in investments in associates due to accounts transfer                                     | (83,286)   |  |
| Changes in intangible assets related to accounts payable  | 37,752   |  |
| Classified to assets held for sale from premises and equipment                                    | 6,243  |  |
| Changes in unpaid dividends on hybrid equity securities   | 11,462   | (1,502)  |

## 7. FINANCIAL ASSETS AT FVTPL

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

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|  | September 30, 2018 | December 31, 2017 |
|--|--------------------|-------------------|
| Financial assets at fair value through profit or loss mandatorily measured at fair value | 5,720,811          |                   |
| Financial assets held for trading  |                    | 5,820,787         |
| Financial assets designated at FVTPL   |                    | 22,290            |
| Total  | 5,720,811          | 5,843,077         |

- (2) Financial assets at fair value through profit or loss mandatorily measured at fair value and financial assets held for trading are as follows (Unit: Korean Won in millions):

|   | September 30, 2018 | December 31, 2017 |
|---|--------------------|-------------------|
| <b>Deposits:</b>                        |                    |                   |
| Gold banking asset                      | 27,045             | 25,972            |
| <b>Securities:</b>                      |                    |                   |
| <b>Debt securities</b>                  |                    |                   |
| Korean treasury and government agencies | 565,592            | 540,438           |
| Financial institutions                  | 462,348            | 1,476,498         |
| Corporates                              | 790,928            | 627,397           |
| Others                                  |                    |                   |
| Equity securities                       | 418,363            | 21,666            |
| Capital contributions                   | 380,470            |                   |
| Beneficiary certificates                | 831,759            | 13,041            |
| <b>Sub-total</b>                        | <b>3,449,460</b>   | <b>2,679,040</b>  |
| <b>Loans</b>                            | <b>322,907</b>     |                   |
| Derivatives assets                      | 1,921,399          | 3,115,775         |
| <b>Total</b>                            | <b>5,720,811</b>   | <b>5,820,787</b>  |

- (3) Financial assets at fair value through profit or loss designated as upon initial recognition is nil as of September 30, 2018 and financial assets at fair value through profit or loss designated as upon initial recognition as of December 31, 2017 is as follows (Unit: Korean Won in millions):

|                   | December 31, 2017 |
|-------------------|-------------------|
| Debt securities   | 9,694             |
| Equity securities | 12,596            |
| <b>Total</b>      | <b>22,290</b>     |

## 8. FINANCIAL ASSETS AT FVTOCI AND AFS FINANCIAL ASSETS

- (1) Details of financial assets at FVTOCI as of September 30, 2018 and AFS financial assets as of December 31, 2017 are as follows (Unit: Korean Won in millions):

|   | September 30, 2018 | December 31, 2017 |
|---|--------------------|-------------------|
| <b>Debt securities:</b>                 |                    |                   |
| Korean treasury and government agencies | 2,024,627          | 2,330,567         |
| Financial institutions                  | 9,157,435          | 5,217,266         |



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|  |            |            |
|--|------------|------------|
| Corporates                             | 1,607,632  | 2,725,232  |
| Asset-backed securities                |            | 308,181    |
| Bond denominated in foreign currencies | 2,288,376  | 2,442,579  |
| Others                                 |            | 35,163     |
| Sub-total                              | 15,078,070 | 13,058,988 |
| Equity securities                      | 1,019,337  | 1,411,078  |
| Beneficiary certificates               |            | 712,628    |
| Securities loaned                      | 70,210     | 170,256    |
| Total                                  | 16,167,617 | 15,352,950 |

- (2) Details of equity securities designated as financial assets at FVTOCI are as follows (Unit: Korean Won in millions):

|                                | September 30, 2018 |
|--------------------------------|--------------------|
| Purpose of acquisition         | Fair value         |
| Strategic business partnership | 712,988            |
| Debt-equity swap               | 306,164            |
| Others (*)                     | 185                |
| Total                          | 1,019,337          |

- (\*) Cooperate insurance, etc.

(3) Changes in the loss allowance and gross carrying amount of financial assets at FVTOCI are as follows (Unit: Korean Won in millions):

1) Loss allowance

|  | For the nine months ended September 30, 2018 |         |         |         |
|--|--|---------|---------|---------|
|  | Stage 1                                      | Stage 2 | Stage 3 | Total   |
| Beginning balance (*1)                       | (4,107)                                      | (129)   |         | (4,236) |
| Transfer to 12-month expected credit losses  |  |         |         |         |
| Transfer to lifetime expected credit losses  |  |         |         |         |
| Transfer to credit-impaired financial assets |  |         |         |         |
| Net reversal(provision) of loss allowance    | (1,069)                                      | 8       |         | (1,061) |
| Disposal                                     | 30   |         |         | 30      |
| Others (*2)                                  | 38   |         |         | 38      |
| Ending balance                               | (5,108)                                      | (121)   |         | (5,229) |

(\*1) The beginning balance was restated in accordance with IFRS 9.

(\*2) Others consist of foreign currencies translation, etc.

2) Gross carrying amount

|   | For the nine months ended September 30, 2018 |          |         |             |
|---|--|----------|---------|-------------|
|   | Stage 1                                      | Stage 2  | Stage 3 | Total       |
| Beginning balance                             | 12,843,997                                   | 30,212   |         | 12,874,209  |
| Transfer to 12-month expected credit losses   |  |          |         |             |
| Transfer to lifetime expected credit losses   |  |          |         |             |
| Transfer to credit-impaired financial assets  |  |          |         |             |
| Acquisition                                   | 8,628,710                                    |          |         | 8,628,710   |
| Disposal                                      | (6,382,060)                                  | (15,047) |         | (6,397,107) |
| Gain (loss) on valuation                      | (2)  | (59)     |         | (61)        |
| Amortization on the effective interest method | 4,800  | 47       |         | 4,847       |
| Others (*)                                    | 37,682                                       |          |         | 37,682      |
| Ending balance                                | 15,133,127                                   | 15,153   |         | 15,148,280  |

(\*) Others consist of foreign currencies translation, etc.

(4) The Group disposed equity securities designated as financial assets at FVTOCI as the creditors determined to sell the securities for the nine months ended September 30, 2018. The fair value and accumulative loss on valuation of that equity securities at disposal date are 5,319 million Won and 384 million Won, respectively.

**9. SECURITIES AT AMORTIZED COST AND HTM FINANCIAL ASSETS**

- (1) Details of securities at amortized cost as of September 30, 2018 and HTM financial assets as of December 31, 2017 are as follows (Unit: Korean Won in millions):

|   | September 30, 2018 | December 31, 2017 |
|---|--------------------|-------------------|
| Korean treasury and government agencies | 5,878,664          | 3,994,857         |
| Financial institutions                  | 7,704,827          | 7,245,426         |
| Corporates                              | 5,337,894          | 5,311,970         |
| Bond denominated in foreign currencies  | 205,806            | 197,043           |
| Loss allowance                          | (5,587)            |                   |
| Total                                   | 19,121,604         | 16,749,296        |

- (2) Changes in the loss allowance and gross carrying amount of securities at amortized cost are as follows (Unit: Korean Won in millions):

1) Loss allowance

|  | For the nine months ended September 30, 2018 |         |         |         |
|--|--|---------|---------|---------|
|  | Stage 1                                      | Stage 2 | Stage 3 | Total   |
| Beginning balance (*1)                       | (5,078)                                      |         |         | (5,078) |
| Transfer to 12-month expected credit losses  |  |         |         |         |
| Transfer to lifetime expected credit losses  |  |         |         |         |
| Transfer to credit-impaired financial assets |  |         |         |         |
| Net provision of loss allowance              | (584)  |         |         | (584)   |
| Disposal                                     | 22   |         |         | 22      |
| Others (*2)                                  | 53   |         |         | 53      |
| Ending balance                               | (5,577)                                      |         |         | (5,577) |

(\*1) The beginning balance was restated in accordance with IFRS 9.

(\*2) Others consist of foreign currencies translation, etc.

2) Gross carrying amount

|   | For the nine months ended September 30, 2018 |         |         |            |
|---|--|---------|---------|------------|
|   | Stage 1                                      | Stage 2 | Stage 3 | Total      |
| Beginning balance                           | 16,749,296                                   |         |         | 16,749,296 |
| Transfer to 12-month expected credit losses |  |         |         |            |

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|   |             |             |
|---|-------------|-------------|
| Transfer to lifetime expected credit losses   |             |             |
| Transfer to credit-impaired financial assets  |             |             |
| Acquisition                                   | 9,460,686   | 9,460,686   |
| Disposal / Redemption                         | (7,077,432) | (7,077,432) |
| Amortization on the effective interest method | (10,047)    | (10,047)    |
| Others (*)                                    | 4,688       | 4,688       |
| Ending balance                                | 19,127,191  | 19,127,191  |

(\*) Others consist of foreign currencies translation, etc.

## 10. LOANS AND OTHER FINANCIAL ASSETS AT AMORTIZED COST, AND LOANS AND RECEIVABLES

- (1) Details of loans and other financial assets at amortized cost as of September 30, 2018 and loans and receivables as of December 31, 2017 are as follows (Unit: Korean Won in millions):

|   | September 30, 2018 | December 31, 2017 |
|---|--------------------|-------------------|
| Due from banks                            | 19,338,144         | 8,868,378         |
| Loans                                     | 248,115,899        | 251,523,301       |
| Other financial assets(other receivables) | 11,230,854         | 6,714,525         |
| Total                                     | 278,684,897        | 267,106,204       |

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

|                                       | September 30, 2018 | December 31, 2017 |
|---------------------------------------|--------------------|-------------------|
| Due from banks in local currency:     |                    |                   |
| Due from The Bank of Korea ( BOK )    | 16,030,233         | 6,246,496         |
| Due from depository banks             | 90,988             | 30,003            |
| Due from non-depository institutions  | 25                 | 150               |
| Due from the Korea Exchange           |                    | 50,000            |
| Others                                | 76,181             | 97,365            |
| Loss allowance                        | (3,849)            | (1,541)           |
| Sub-total                             | 16,193,578         | 6,422,473         |
| Due from banks in foreign currencies: |                    |                   |
| Due from banks on demand              | 884,932            | 794,353           |
| Due from banks on time                | 1,408,823          | 972,915           |
| Others                                | 853,116            | 679,554           |
| Loss allowance                        | (2,305)            | (917)             |
| Sub-total                             | 3,144,566          | 2,445,905         |
| Total                                 | 19,338,144         | 8,868,378         |

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

|                                   | Counterparty | September 30, 2018 | Reason of restriction              |
|-----------------------------------|--------------|--------------------|------------------------------------|
| Due from banks in local currency: |              |                    |                                    |
| Due from BOK                      | The BOK      | 16,030,233         | Reserve deposits under the BOK Act |

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|                                       |                                       |            |   |
|---------------------------------------|---------------------------------------|------------|---|
| Others                                | The Korea Exchange and others         | 72,176     | Central counterparty KRW margin and others    |
| Sub-total                             |                                       | 16,102,409 |   |
| Due from banks in foreign currencies: |                                       |            |   |
| Due from banks on demand              | The BOK and others                    | 881,504    | Reserve deposits under the BOK Act and others |
| Due from banks on time                | National Bank of Cambodia             | 576        | Fast And Secure Transfer (Payment system)     |
| Others                                | The People's Bank of China and others | 853,116    | Reserve deposits and others                   |
| Sub-total                             |                                       | 1,734,746  |   |
| Total                                 |                                       | 17,837,155 |   |

|                                       | Counterparty                          | December 31, 2017 | Reason of restriction                         |
|---------------------------------------|---------------------------------------|-------------------|---|
| Due from banks in local currency:     |                                       |                   |   |
| Due from BOK                          | The BOK                               | 6,246,496         | Reserve deposits under the BOK Act            |
| Others                                | The Korea Exchange and others         | 94,394            | Central counterparty KRW margin and others    |
| Sub-total                             |                                       | 6,340,890         |   |
| Due from banks in foreign currencies: |                                       |                   |   |
| Due from banks on demand              | The BOK and others                    | 787,520           | Reserve deposits under the BOK Act and others |
| Others                                | The People's Bank of China and others | 367,108           | Reserve deposits and others                   |
| Sub-total                             |                                       | 1,154,628         |   |
| Total                                 |                                       | 7,495,518         |   |

(4) Changes in the loss allowance and gross carrying amount of due from banks are as follows (Unit: Korean Won in millions):

1) Loss allowance

|  | For the nine months ended September 30, 2018 |         |         |         |
|--|--|---------|---------|---------|
|  | Stage 1                                      | Stage 2 | Stage 3 | Total   |
| Beginning balance (*1)                       | (3,092)                                      |         |         | (3,092) |
| Transfer to 12-month expected credit losses  |  |         |         |         |
| Transfer to lifetime expected credit losses  |  |         |         |         |
| Transfer to credit-impaired financial assets |  |         |         |         |
| Net provision of loss allowance              | (3,068)                                      |         |         | (3,068) |
| Others (*2)                                  | 6  |         |         | 6       |
| Ending balance                               | (6,154)                                      |         |         | (6,154) |

(\*1) The beginning balance was restated in accordance with IFRS 9.

(\*2) Others consist of foreign currencies translation and etc.

2) Gross carrying amount

For the nine months ended September 30, 2018

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|  | Stage 1    | Stage 2 | Stage 3 | Total      |
|--|------------|---------|---------|------------|
| Beginning balance                            | 8,870,835  |         |         | 8,870,835  |
| Transfer to 12-month expected credit losses  |            |         |         |            |
| Transfer to lifetime expected credit losses  |            |         |         |            |
| Transfer to credit-impaired financial assets |            |         |         |            |
| Net increase                                 | 10,473,463 |         |         | 10,473,463 |
| Ending balance                               | 19,344,298 |         |         | 19,344,298 |



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

|   | September 30, 2018 | December 31, 2017  |
|---|--------------------|--------------------|
| Loans in local currency                 | 206,442,588        | 200,213,230        |
| Loans in foreign currencies             | 14,978,419         | 13,147,888         |
| Domestic banker's letter of credit      | 3,026,098          | 2,516,907          |
| Credit card accounts                    | 7,506,559          | 6,827,295          |
| Bills bought in foreign currencies      | 7,576,979          | 8,197,159          |
| Bills bought in local currency          | 103,502            | 334,714            |
| Factoring receivables                   | 53,860             | 137,523            |
| Advances for customers on guarantees    | 16,027             | 23,620             |
| Private placement bonds                 | 406,773            | 362,319            |
| Securitized loans                       | 1,396,892          | 563,152            |
| Call loans                              | 2,087,986          | 3,003,455          |
| Bonds purchased under resale agreements | 4,758,495          | 16,859,064         |
| Others                                  | 923,941            | 607,325            |
| Loan origination costs and fees         | 556,228            | 510,860            |
| Discounted present value                | (6,925)            | (10,988)           |
| Loss allowance                          | (1,711,523)        | (1,770,222)        |
| <b>Total</b>                            | <b>248,115,899</b> | <b>251,523,301</b> |

(6) Changes in the loss allowance on loans for the nine months ended September 30, 2018 are as follows (Unit: Korean Won in millions):

|  | For the nine months ended September 30, 2018 |                 |                  |                  |                  |                  |
|--|--|-----------------|------------------|------------------|------------------|------------------|
|  | Consumers                                    |                 |                  | Corporates       |                  |                  |
|  | Stage 1                                      | Stage 2         | Stage 3          | Stage 1          | Stage 2          | Stage 3          |
| Beginning balance (*1)                       | (101,479)                                    | (41,358)        | (117,168)        | (365,246)        | (255,926)        | (905,243)        |
| Transfer to 12-month expected credit losses  | (10,147)                                     | 9,396           | 751              | (23,865)         | 22,207           | 1,658            |
| Transfer to lifetime expected credit losses  | 6,515  | (8,137)         | 1,622            | 15,078           | (416,866)        | 401,788          |
| Transfer to credit-impaired financial assets | 40,836                                       | 39,038          | (79,874)         | 32,015           | 23,433           | (55,448)         |
| Net reversal (provision) of loss allowance   | (44,358)                                     | (45,067)        | (62,682)         | (50,100)         | 212,801          | 28,132           |
| Recoveries of loans previously charged off   |  |                 | (36,841)         |                  |                  | (89,329)         |
| Charge-off                                   |  |                 | 153,239          |                  |                  | 179,656          |
| Disposal                                     |  | 34              | 1,313            |                  | 137              | 29,972           |
| Unwinding effect                             |  |                 | 5,730            |                  |                  | 18,611           |
| Others (*2)                                  | (1,641)                                      | (6)             | (919)            | 40,093           | 128              | 641              |
| <b>Ending balance</b>                        | <b>(110,274)</b>                             | <b>(46,100)</b> | <b>(134,829)</b> | <b>(352,025)</b> | <b>(414,086)</b> | <b>(389,562)</b> |

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For the nine months ended September 30, 2018

|  | Credit card accounts |          |           | Sub-total |           |             | Total       |
|--|----------------------|----------|-----------|-----------|-----------|-------------|-------------|
|  | Stage 1              | Stage 2  | Stage 3   | Stage 1   | Stage 2   | Stage 3     |             |
| Beginning balance (*1)                       | (57,134)             | (71,463) | (102,858) | (523,859) | (368,747) | (1,125,269) | (2,017,875) |
| Transfer to 12-month expected credit losses  | (13,620)             | 13,517   | 103       | (47,632)  | 45,120    | 2,512       |             |
| Transfer to lifetime expected credit losses  | 6,542                | (6,902)  | 360       | 28,135    | (431,905) | 403,770     |             |
| Transfer to credit-impaired financial assets | 38,839               | 66,374   | (105,213) | 111,690   | 128,845   | (240,535)   |             |
| Net reversal (provision) of loss allowance   | (36,353)             | (79,481) | (40,043)  | (130,811) | 88,253    | (74,593)    | (117,151)   |
| Recoveries of loans previously charged off   |                      |          | (42,661)  |           |           | (168,831)   | (168,831)   |
| Charge-off                                   |                      |          | 165,347   |           |           | 498,242     | 498,242     |
| Disposal                                     |                      |          |           |           | 171       | 31,285      | 31,456      |
| Unwinding effect                             |                      |          |           |           |           | 24,341      | 24,341      |
| Others (*2)                                  | (1)                  |          |           | 38,451    | 122       | (278)       | 38,295      |
| Ending balance                               | (61,727)             | (77,955) | (124,965) | (524,026) | (538,141) | (649,356)   | (1,711,523) |

(\*1) The beginning balance was restated in accordance with IFRS 9.

(\*2) Others consist of debt-equity swap, foreign currencies translation and etc.

Changes in the loss allowances on loans and receivables for the nine months ended September 30, 2017, are as follows (Unit: Korean Won in millions):

|  | For nine months ended September 30, 2017 |             |             |           |             |
|--|--|-------------|-------------|-----------|-------------|
|  | Consumers                                | Corporates  | Credit card | Others    | Total       |
| Beginning balance                          | (163,858)                                | (1,498,842) | (155,372)   | (209,024) | (2,027,096) |
| Net reversal (provision) of loss allowance | (96,177)                                 | (318,660)   | (140,061)   | 4,057     | (550,841)   |
| Recoveries of loans previously charged off | (32,485)                                 | (66,665)    | (37,987)    | (5)       | (137,142)   |
| Charge-off                                 | 95,191                                   | 307,347     | 154,891     | 52,029    | 609,458     |
| Disposal                                   | 868                                      | 61,432      |             | 29,264    | 91,564      |
| Unwinding effect                           | 6,704                                    | 29,062      |             |           | 35,766      |
| Others (*)                                 | 471                                      | 179,970     |             | (366)     | 180,075     |
| Ending balance                             | (189,286)                                | (1,306,356) | (178,529)   | (124,045) | (1,798,216) |

(\*) Others consist of debt-equity swap, foreign currencies translation and etc.

(7) Changes in the gross carrying amount of loans are as follows (Unit: Korean Won in millions):

|  | For the nine months ended September 30, 2018 |             |           |             |             |           |  |
|--|--|-------------|-----------|-------------|-------------|-----------|--|
|  | Stage 1                                      | Consumers   |           |             | Corporates  |           |  |
|  |  | Stage 2     | Stage 3   | Stage 1     | Stage 2     | Stage 3   |  |
| Beginning balance                            | 103,502,347                                  | 5,487,758   | 326,739   | 130,561,786 | 5,000,965   | 1,622,409 |  |
| Transfer to 12-month expected credit losses  | 1,910,641                                    | (1,902,485) | (8,156)   | 1,127,912   | (1,124,134) | (3,778)   |  |
| Transfer to lifetime expected credit losses  | (3,111,258)                                  | 3,126,663   | (15,405)  | (2,601,487) | 3,071,267   | (469,780) |  |
| Transfer to credit-impaired financial assets | (161,096)                                    | (126,080)   | 287,176   | (226,207)   | (138,654)   | 364,861   |  |
| Charge-off                                   |  |             | (153,239) |             |             | (179,656) |  |
| Disposal                                     |  | (456)       | (23,692)  |             | (1,169)     | (108,176) |  |
| Net increase (decrease)                      | 4,446,898                                    | (731,876)   | (26,747)  | (6,252,563) | (846,435)   | (311,693) |  |
| Ending balance                               | 106,587,532                                  | 5,853,524   | 386,676   | 122,609,441 | 5,961,840   | 914,187   |  |

|                   | For the nine months ended September 30, 2018 |           |         |             |             |           |             |
|-------------------|--|-----------|---------|-------------|-------------|-----------|-------------|
|                   | Credit card accounts                         |           |         | Sub-total   |             |           | Total       |
|                   | Stage 1                                      | Stage 2   | Stage 3 | Stage 1     | Stage 2     | Stage 3   |             |
| Beginning balance | 5,721,743                                    | 935,266   | 177,983 | 239,785,876 | 11,423,989  | 2,127,131 | 253,336,996 |
|                   | 234,714                                      | (234,576) | (138)   | 3,273,267   | (3,261,195) | (12,072)  |             |

|  |           |           |           |             |             |           |             |
|--|-----------|-----------|-----------|-------------|-------------|-----------|-------------|
| Transfer to<br>12-month<br>expected credit<br>losses |           |           |           |             |             |           |             |
| Transfer to<br>lifetime expected<br>credit losses    | (305,037) | 305,497   | (460)     | (6,017,782) | 6,503,427   | (485,645) |             |
| Transfer to<br>credit-impaired<br>financial assets   | (65,383)  | (82,398)  | 147,781   | (452,686)   | (347,132)   | 799,818   |             |
| Charge-off   |           |           | (165,347) |             |             | (498,242) | (498,242)   |
| Disposal   |           |           |           |             | (1,625)     | (131,868) | (133,493)   |
| Net increase<br>(decrease)                           | 720,055   | 79,934    | 44,588    | (1,085,610) | (1,498,377) | (293,852) | (2,877,839) |
| Ending balance                                       | 6,306,092 | 1,003,723 | 204,407   | 235,503,065 | 12,819,087  | 1,505,270 | 249,827,422 |

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

|  | September 30, 2018 | December 31, 2017 |
|--|--------------------|-------------------|
| CMA accounts   | 178,500            | 135,000           |
| Receivables  | 8,184,878          | 4,459,318         |
| Accrued income   | 1,125,163          | 1,026,273         |
| Telex and telephone subscription rights<br>and refundable deposits | 981,606            | 984,620           |
| Other receivables  | 830,710            | 166,877           |
| Loss allowance   | (70,003)           | (57,563)          |
| <b>Total</b>   | <b>11,230,854</b>  | <b>6,714,525</b>  |

(9) Changes in the loss allowances on other financial assets are as follows (Unit: Korean Won in millions):

|  | For the nine months ended September 30, 2018 |         |          |          |
|--|--|---------|----------|----------|
|  | Stage 1                                      | Stage 2 | Stage 3  | Total    |
| Beginning balance (*1)                       | (2,955)                                      | (1,832) | (54,211) | (58,998) |
| Transfer to 12-month expected credit losses  | (162)  | 146     | 16       |          |
| Transfer to lifetime expected credit losses  | 111  | (425)   | 314      |          |
| Transfer to credit-impaired financial assets | 2,329  | 146     | (2,475)  |          |
| Net provision of loss allowance              | (3,065)                                      | (208)   | (26,773) | (30,046) |
| Charge-off                                   |  |         | 17,876   | 17,876   |
| Disposal                                     |  |         | 1,047    | 1,047    |
| Others(*2)                                   | (170)  |         | 288      | 118      |
| Ending balance                               | (3,912)                                      | (2,173) | (63,918) | (70,003) |

(\*1) The beginning balance was restated in accordance with IFRS 9.

(\*2) Others consist of foreign currencies translation and etc.

(10) Changes in the gross carrying amount of other financial assets are as follows (Unit: Korean Won in millions):

|  | For the nine months ended September 30, 2018 |         |          |            |
|--|--|---------|----------|------------|
|  | Stage 1                                      | Stage 2 | Stage 3  | Total      |
| Beginning balance                            | 6,662,335                                    | 29,124  | 79,912   | 6,771,371  |
| Transfer to 12-month expected credit losses  | 7,935  | (7,912) | (23)     |            |
| Transfer to lifetime expected credit losses  | (11,959)                                     | 12,278  | (319)    |            |
| Transfer to credit-impaired financial assets | (3,211)                                      | (1,002) | 4,213    |            |
| Charge-off                                   |  |         | (17,876) | (17,876)   |
| Disposal                                     |  | (2)     | (1,234)  | (1,236)    |
| Net increase and others                      | 4,533,073                                    | 1,056   | 15,696   | 4,549,825  |
| Others (*)                                   | (1,230)                                      | 3       |          | (1,227)    |
| Ending balance                               | 11,186,943                                   | 33,545  | 80,369   | 11,300,857 |

(\*) Others consist of foreign currencies translation and etc.

## 11. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

### (1) The fair value hierarchy

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

The fair value measurement is described in the one of the following three levels used to classify fair value measurements:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The types of financial assets or liabilities generally included in Level 1 are publicly traded equity securities, derivatives, and debt securities issued by governmental bodies.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). The types of financial assets or liabilities generally included in Level 2 are debt securities not traded in active markets and derivatives traded in OTC but not required significant judgment.

Level 3 fair value measurements are those derived from valuation technique that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). The types of financial assets or liabilities generally included in Level 3 are non-public securities and derivatives and debt securities of which valuation techniques require significant judgments and subjectivity.

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

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

|  | September 30, 2018 |                 |         | Total |
|--|--------------------|-----------------|---------|-------|
|  | Level 1<br>(*1)    | Level 2<br>(*1) | Level 3 |       |
| Financial assets:  |                    |                 |         |       |
| Financial assets at fair value through profit or loss mandatorily measured at fair value |                    |                 |         |       |

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|                                      |           |            |           |            |
|--------------------------------------|-----------|------------|-----------|------------|
| Deposits                             | 27,045    |            |           | 27,045     |
| Debt securities                      | 270,647   | 1,542,673  | 5,548     | 1,818,868  |
| Equity securities                    | 53,695    |            | 364,668   | 418,363    |
| Capital contributions                |           |            | 380,470   | 380,470    |
| Beneficiary certificates             |           | 45,084     | 786,675   | 831,759    |
| Loans                                |           | 93,000     | 229,907   | 322,907    |
| Derivative assets                    | 1,579     | 1,883,776  | 36,044    | 1,921,399  |
| Sub-total                            | 352,966   | 3,564,533  | 1,803,312 | 5,720,811  |
| Financial assets at FVTOCI           |           |            |           |            |
| Debt securities                      | 2,337,260 | 12,740,810 |           | 15,078,070 |
| Equity securities                    | 545,666   |            | 473,671   | 1,019,337  |
| Securities loaned                    |           | 70,210     |           | 70,210     |
| Sub-total                            | 2,882,926 | 12,811,020 | 473,671   | 16,167,617 |
| Derivative assets (Held for hedging) |           | 13,716     |           | 13,716     |
| Total                                | 3,235,892 | 16,389,269 | 2,276,983 | 21,902,144 |

|   | September 30, 2018 |                   |                  | Total             |
|---|--------------------|-------------------|------------------|-------------------|
|   | Level 1 (*1)       | Level 2 (*1)      | Level 3          |                   |
| <b>Financial liabilities:</b>   |                    |                   |                  |                   |
| Financial liabilities at fair value through profit or loss mandatorily measured at fair value     |                    |                   |                  |                   |
| Deposits due to customers   | 27,266             |                   |                  | 27,266            |
| Derivative liabilities  | 743                | 1,963,067         | 43,433           | 2,007,243         |
| <b>Sub-total</b>  | <b>28,009</b>      | <b>1,963,067</b>  | <b>43,433</b>    | <b>2,034,509</b>  |
| Financial liabilities at fair value through profit or loss designated as upon initial recognition |                    |                   |                  |                   |
| Equity-linked securities  |                    |                   | 187,533          | 187,533           |
| Derivative liabilities (Held for hedging)   |                    | 74,107            |                  | 74,107            |
| <b>Total</b>  | <b>28,009</b>      | <b>2,037,174</b>  | <b>230,966</b>   | <b>2,296,149</b>  |
| <br>  |                    |                   |                  |                   |
|   | December 31, 2017  |                   |                  | Total             |
|   | Level 1 (*1)       | Level 2 (*1)      | Level 3 (*2)     |                   |
| <b>Financial assets:</b>  |                    |                   |                  |                   |
| Financial assets held for trading   |                    |                   |                  |                   |
| Deposits  | 25,972             |                   |                  | 25,972            |
| Debt securities   | 405,942            | 2,238,391         |                  | 2,644,333         |
| Equity securities   | 21,666             |                   |                  | 21,666            |
| Beneficiary certificates  |                    | 13,041            |                  | 13,041            |
| Derivative assets   | 1,021              | 3,093,272         | 21,482           | 3,115,775         |
| <b>Sub-total</b>  | <b>454,601</b>     | <b>5,344,704</b>  | <b>21,482</b>    | <b>5,820,787</b>  |
| Financial assets designated at FVTPL  |                    |                   |                  |                   |
| Debt securities   |                    |                   | 9,694            | 9,694             |
| Equity securities   |                    |                   | 12,596           | 12,596            |
| <b>Sub-total</b>  |                    |                   | <b>22,290</b>    | <b>22,290</b>     |
| AFS financial assets  |                    |                   |                  |                   |
| Debt securities   | 2,710,172          | 10,348,815        |                  | 13,058,987        |
| Equity securities   | 399,214            |                   | 1,011,864        | 1,411,078         |
| Beneficiary certificates  |                    | 68,722            | 643,906          | 712,628           |
| Securities loaned   | 69,778             | 100,478           |                  | 170,256           |
| <b>Sub-total</b>  | <b>3,179,164</b>   | <b>10,518,015</b> | <b>1,655,770</b> | <b>15,352,949</b> |
| Derivative assets (Held for hedging)  |                    | 59,272            |                  | 59,272            |



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|  |               |                  |                |                  |
|--|---------------|------------------|----------------|------------------|
| Total  | 3,633,765     | 15,921,991       | 1,699,542      | 21,255,298       |
| <b>Financial liabilities:</b>                    |               |                  |                |                  |
| <b>Financial liabilities held for trading</b>    |               |                  |                |                  |
| Deposits due to customers                        | 25,964        |                  |                | 25,964           |
| Derivative liabilities                           | 2,613         | 3,126,585        | 20,951         | 3,150,149        |
| <b>Sub-total</b>                                 | <b>28,577</b> | <b>3,126,585</b> | <b>20,951</b>  | <b>3,176,113</b> |
| <b>Financial liabilities designated at FVTPL</b> |               |                  |                |                  |
| Equity-linked securities                         |               |                  | 160,057        | 160,057          |
| Debentures                                       |               | 91,739           |                | 91,739           |
| <b>Sub-total</b>                                 |               | <b>91,739</b>    | <b>160,057</b> | <b>251,796</b>   |
| Derivative liabilities (Held for hedging)        |               | 67,754           |                | 67,754           |
| <b>Total</b>                                     | <b>28,577</b> | <b>3,286,078</b> | <b>181,008</b> | <b>3,495,663</b> |

(\*1) There were no transfers between Level 1 and Level 2 of financial assets and liabilities measured at fair value. The Group recognizes transfers among levels at the end of reporting period in which events have occurred or conditions have changed.

(\*2) Certain AFS unquoted equity securities were measured at cost as of December 31, 2017, that amounted to 37,092 million Won. These unquoted equity instruments mostly represent minority investments in structured entity vehicles, such as asset securitization structures. They are measured at cost because (a) observable inputs of financial information to measure fair value were not available to obtain, (b) there was a significant variance in likely estimated cash flows or (c) the probabilities for various estimated cash flows could not be measured reliably. In addition, the Group has no intention to dispose these investments in the foreseeable future.

Financial assets and liabilities at fair value through profit or loss mandatorily measured at fair value, financial liabilities at fair value through profit or loss designated as upon initial recognition, financial assets at FVTOCI, and derivative assets (Held for hedging) and liabilities (Held for hedging) are recognized at fair value. Fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

Financial instruments are measured at fair value using a quoted market price in active markets. If there is no active market for a financial instrument, the Group determines the fair value using valuation methods. Valuation methods and input variables for each type of financial instruments are as follows:

|   | Valuation methods   | Input variables  |
|---|---|--|
| Loans   | The fair value of Loans is measured by the Binomial tree given the values of underlying assets and volatility.  | Values of underlying assets, Volatility  |
| Debt securities   | The fair value is measured by discounting the projected cash flows of debt securities by applying the market discount rate that has been applied to a proxy company that has similar credit rating to the issuers of the securities.  | Risk-free market rate, credit spread   |
| Equity securities, capital contributions and Beneficiary certificates | Among DCF (Discounted Cash Flow) Model, FCFE (Free Cash Flow to Equity) Model, Comparable Company Analysis, Dividend Discount Model, Risk-adjusted Rate of Return Method, and Net Asset Value Method, more than one method is used given the characteristic of the subject of fair value measurement. | Risk-free market rate, market risk premium, Beta, etc.                                     |
| Derivatives   | The in-house developed model which is based on the models that are used by market participants in the valuation of general OTC derivative products, such as options, interest rate swaps, currency swap and currency forward that are based on inputs observable in the market.                       | Risk-free market rate, forward rate, volatility, foreign exchange rate, stock prices, etc. |

However, for some complicated financial instruments of which valuation should be based on some assumptions since some significant

or all inputs to be used in the model are not observable in the market, the in-house derived model which is developed from the general valuation models, such as Finite Difference Method ( FDM ) or Monte Carlo Simulation.

Equity-linked securities

The fair value of security linked to stock prices or derivatives is measured by the models such as DCF model, FDM, or Monte Carlo Simulation given the natures of the securities or underlying assets.

Values of underlying assets, risk-free market rate, market rate, dividend and convenience yield, volatility, correlation coefficient, credit spread, and foreign exchange rate

Debentures

The fair value is measured by discounting the projected cash flows of a debenture by applying the market discount rate that is reflecting credit rating of the Group.

Risk-free market rate, forward rate

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

|   | Fair value measurement technique    | Input variable  | Range                        | Impact of changes in significant unobservable inputs on fair value measurement   |
|---|-------------------------------------|---|------------------------------|--|
| Loans   | Binomial tree                       | Price of stock,<br>Volatility of underlying asset         | 14.84%~38.77%                | Fair value increases as volatility of underlying asset increases.  |
| Derivative assets   | Option valuation model and others   | Correlation coefficient                                   | 0.9~0.98                     | Variation of fair value increases as correlation coefficient increases.  |
|   |                                     | Volatility of underlying asset                            | 9.06%~25.69%                 | Variation of fair value increases as volatility increases.   |
| Derivative liabilities  | Option valuation model and others   | Correlation coefficient                                   | 0.9~0.98                     | Variation of fair value increases as correlation coefficient increases.  |
|   |                                     | Volatility of underlying asset                            | 9.06%~25.69%                 | Variation of fair value increases as volatility increases.   |
| Equity-linked securities  | Monte Carlo Simulation and others   | Correlation coefficient<br>Volatility of underlying asset | 0.005~0.674<br>19.99%~24.81% | Equity-linked securities variation of fair value increases if both volatility and correlation coefficient increase. However, when correlation coefficient decreases despite the increase in volatility, the variation of fair value of a compound financial instrument may decrease. |
| Equity securities, capital contributions and Beneficiary certificates | External appraisal value and others | Expected growth rate                                      | 0.00%                        | Fair value increases as expected growth rate increases.  |
|   |                                     | Discount rate   | 1.09%~18.71%                 | Fair value increases as discount rate decreases.   |
|   |                                     | Volatility of real estate sale price                      | 0.00%                        | Fair value increases as volatility of real estate sale price increases.  |

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

- (3) Changes in financial assets and liabilities measured at fair value classified into Level 3 are as follows (Unit: Korean Won in millions):

|   | For nine months ended September 30, 2018 |                                 |                                  |                         |   |                       |
|---|--|---------------------------------|----------------------------------|-------------------------|---|-----------------------|
|   | January 1,<br>2018                       | Net<br>Income<br>(loss)<br>(*1) | Other<br>comprehensive<br>income | Purchases/<br>issuances | Disposals/out of Level<br>settlements<br>(*2) | September 30,<br>2018 |
| <b>Financial assets:</b>  |  |                                 |                                  |                         |   |                       |
| Financial assets at fair value through profit or loss mandatorily measured at fair value          |  |                                 |                                  |                         |   |                       |
| Debt securities   | 9,694                                    | 131                             |                                  |                         | (4,277)                                       | 5,548                 |
| Equity securities   | 280,171                                  | 37,028                          |                                  | 50,105                  | (2,636)                                       | 364,668               |
| Capital contributions   | 294,121                                  | 12,587                          |                                  | 95,527                  | (21,765)                                      | 380,470               |
| Beneficiary certificates  | 654,066                                  | 15,000                          |                                  | 3,249,833               | (3,132,224)                                   | 786,675               |
| Loans   | 165,001                                  | 7,583                           |                                  | 125,963                 | (68,640)                                      | 229,907               |
| Derivative assets   | 19,346                                   | 67,004                          |                                  | 660                     | (50,966)                                      | 36,044                |
| <b>Sub-total</b>  | <b>1,422,399</b>                         | <b>139,333</b>                  |                                  | <b>3,522,088</b>        | <b>(3,280,508)</b>                            | <b>1,803,312</b>      |
| Financial assets at FVTOCI  |  |                                 |                                  |                         |   |                       |
| Equity securities   | 451,287                                  |                                 | 22,080                           | 334                     | (30)  | 473,671               |
| <b>Total</b>  | <b>1,873,686</b>                         | <b>139,333</b>                  | <b>22,080</b>                    | <b>3,522,422</b>        | <b>(3,280,538)</b>                            | <b>2,276,983</b>      |
| <b>Financial liabilities:</b>   |  |                                 |                                  |                         |   |                       |
| Financial liabilities at fair value through profit or loss mandatorily measured at fair value     |  |                                 |                                  |                         |   |                       |
| Derivative liabilities  | 20,951                                   | 76,718                          |                                  | (3,315)                 | (50,921)                                      | 43,433                |
| Financial liabilities at fair value through profit or loss designated as upon initial recognition |  |                                 |                                  |                         |   |                       |
| Equity-linked securities  | 160,057                                  | 4,967                           |                                  | 184,312                 | (161,803)                                     | 187,533               |
| <b>Total</b>  | <b>181,008</b>                           | <b>81,685</b>                   |                                  | <b>180,997</b>          | <b>(212,724)</b>                              | <b>230,966</b>        |

(\*1)

The losses that increase financial liabilities are presented as positive amounts, and the gains that decrease financial liabilities are presented as negative amounts. The gain amounting to 75,357 million Won for nine months ended September 30, 2018, which is from financial assets and liabilities that the Group holds as at the end of the periods, has been recognized in net gain (loss) on financial assets at FVTPL and net gain (loss) on financial assets at FVTOCI in the consolidated statement of comprehensive income.

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

|   | For the nine months ended September 30, 2017 |                                 |                                  |                         |                           |   |                       |
|---|--|---------------------------------|----------------------------------|-------------------------|---------------------------|---|-----------------------|
|   | January 1,<br>2017                           | Net<br>Income<br>(loss)<br>(*1) | Other<br>comprehensive<br>income | Purchases/<br>Issuances | Disposals/<br>Settlements | Transfer to or<br>out of<br>level 3<br>(*2) | September 30,<br>2017 |
| <b>Financial assets:</b>                  |  |                                 |                                  |                         |                           |   |                       |
| Financial assets held for trading         |  |                                 |                                  |                         |                           |   |                       |
| Derivative assets                         | 23,153                                       | 24,713                          |                                  | 583                     | (17,837)                  |   | 30,612                |
| Financial assets designated at FVTPL      |  |                                 |                                  |                         |                           |   |                       |
| Debt securities                           | 4,348  | 127                             |                                  | 2,000                   |                           |   | 6,475                 |
| Equity securities                         | 12,652                                       | (147)                           |                                  |                         |                           |   | 12,505                |
| <b>Sub-total</b>                          | <b>17,000</b>                                | <b>(20)</b>                     |                                  | <b>2,000</b>            |                           |   | <b>18,980</b>         |
| AFS financial assets                      |  |                                 |                                  |                         |                           |   |                       |
| Equity securities                         | 1,024,935                                    | 22,182                          | 17,595                           | 47,700                  | (39,524)                  |   | 1,072,888             |
| Beneficiary certificates                  | 530,511                                      | 1,982                           | 1,087                            | 200,722                 | (90,330)                  |   | 643,972               |
| <b>Sub-total</b>                          | <b>1,555,446</b>                             | <b>24,164</b>                   | <b>18,682</b>                    | <b>248,422</b>          | <b>(129,854)</b>          |   | <b>1,716,860</b>      |
| Derivative assets                         | 99   | 185                             |                                  |                         | (284)                     |   |                       |
| <b>Total</b>                              | <b>1,595,698</b>                             | <b>49,042</b>                   | <b>18,682</b>                    | <b>251,005</b>          | <b>(147,975)</b>          |   | <b>1,766,452</b>      |
| <b>Financial liabilities:</b>             |  |                                 |                                  |                         |                           |   |                       |
| Financial liabilities held for trading    |  |                                 |                                  |                         |                           |   |                       |
| Derivative liabilities                    | 33,524                                       | 22,094                          |                                  | 500                     | (18,294)                  |   | 37,824                |
| Financial liabilities designated at FVTPL |  |                                 |                                  |                         |                           |   |                       |
| Equity-linked securities                  | 673,709                                      | 104,217                         |                                  |                         | (428,517)                 |   | 349,409               |
| <b>Total</b>                              | <b>707,233</b>                               | <b>126,311</b>                  |                                  | <b>500</b>              | <b>(446,811)</b>          |   | <b>387,233</b>        |

(\*1) The losses that increase financial liabilities are presented as positive amounts, and the gains that decrease financial liabilities are presented as negative amounts. The loss amounting to 62,894 million Won for the nine months ended September 30, 2017, which is from financial assets and liabilities that the Group holds, has been recognized in net gain (loss) on financial instruments at FVTPL and net gain (loss) on AFS financial assets in the statement of comprehensive income.

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

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

The sensitivity analysis of the financial instruments has been performed by classifying with favorable and unfavorable changes based on how changes in unobservable assumptions would have effects on the fluctuations of financial

instruments value. When the fair value of a financial instrument is affected by more than one unobservable assumption, the below table reflects the most favorable or the most unfavorable changes which resulted from varying the assumptions individually. The sensitivity analysis was performed for two types of level 3 financial instruments: (1) interest rate related derivatives, currency related derivatives, equity related derivatives, equity-linked securities beneficiary certificates and loans of which fair value changes are recognized as net income; (2) equity securities of which fair value changes are recognized as other comprehensive income.

Included within the total equity investments classified as Level 3 equity securities (2,507,949 million Won and 1,880,550 million Won as of September 30, 2018 and December 31, 2017) are equity securities whose costs or net asset values are considered to provide the best estimate of fair value (1,583,825 million Won and 1,146,751 million Won as of September 30, 2018 and December 31, 2017). These have been excluded from the sensitivity analysis.



The following table presents the sensitivity analysis to disclose the effect of reasonably possible volatility on the fair value of a Level 3 financial instruments (Unit: Korean Won in millions):

|   | September 30, 2018 |                 |                                   |                 |
|---|--------------------|-----------------|-----------------------------------|-----------------|
|   | Net income (loss)  |                 | Other comprehensive income (loss) |                 |
|   | Favorable          | Unfavorable     | Favorable                         | Unfavorable     |
| <b>Financial assets:</b>  |                    |                 |                                   |                 |
| Financial assets at FVTPL   |                    |                 |                                   |                 |
| Derivative assets (*1)  | 2,923              | (2,601)         |                                   |                 |
| Loans   | 242                | (197)           |                                   |                 |
| Debt securities   | 890                | (875)           |                                   |                 |
| Equity securities (*2)(*3)  | 11,080             | (7,913)         |                                   |                 |
| Beneficiary certificates (*3)   | 1,581              | (1,580)         |                                   |                 |
| Financial assets at FVTOCI  |                    |                 |                                   |                 |
| Equity securities (*2)(*3)  |                    |                 | 20,905                            | (9,011)         |
| <b>Total</b>  | <b>16,716</b>      | <b>(13,166)</b> | <b>20,905</b>                     | <b>(9,011)</b>  |
| <b>Financial liabilities:</b>   |                    |                 |                                   |                 |
| Financial liabilities at fair value through profit or loss mandatorily measured at fair value     |                    |                 |                                   |                 |
| Derivative liabilities (*1)   | 2,770              | (3,081)         |                                   |                 |
| Financial liabilities at fair value through profit or loss designated as upon initial recognition |                    |                 |                                   |                 |
| Equity-linked securities (*1)   | 1,034              | (1,103)         |                                   |                 |
| <b>Total</b>  | <b>3,804</b>       | <b>(4,184)</b>  |                                   |                 |
| <br>  |                    |                 |                                   |                 |
|   | December 31, 2017  |                 |                                   |                 |
|   | Net income (loss)  |                 | Other comprehensive income (loss) |                 |
|   | Favorable          | Unfavorable     | Favorable                         | Unfavorable     |
| <b>Financial assets:</b>  |                    |                 |                                   |                 |
| Financial assets held for trading   |                    |                 |                                   |                 |
| Derivatives assets (*1)   | 1,234              | (526)           |                                   |                 |
| Financial assets designated at FVTPL  |                    |                 |                                   |                 |
| Debt securities (*4)  | 265                | (309)           |                                   |                 |
| Equity securities (*4)  | 670                | (624)           |                                   |                 |
| AFS Financial assets  |                    |                 |                                   |                 |
| Equity securities (*2)(*3)  |                    |                 | 28,583                            | (15,246)        |
| Beneficiary certificates (*3)   |                    |                 | 1,861                             | (1,857)         |
| <b>Total</b>  | <b>2,169</b>       | <b>(1,459)</b>  | <b>30,444</b>                     | <b>(17,103)</b> |
| <b>Financial liabilities:</b>   |                    |                 |                                   |                 |
| Financial liabilities held for trading  |                    |                 |                                   |                 |
| Derivative liabilities (*1)   | 5                  | (513)           |                                   |                 |

## Financial liabilities designated at FVTPL

|                               |    |       |
|-------------------------------|----|-------|
| Equity-linked securities (*1) | 8  | (7)   |
| Total                         | 13 | (520) |

- (\*1) Fair value changes of equity related derivatives assets and liabilities and equity-linked securities are calculated by increasing or decreasing historical volatility of the stock price and correlation, which are major unobservable variables, by 10%, respectively. In the case of interest rate related derivative assets and liabilities, fair value changes are calculated by increasing or decreasing the volatility of interest rate, which are major unobservable variables, by 10%.
- (\*2) Fair value changes of equity securities are calculated by increasing or decreasing growth rate (0~1%) and discount rate or liquidation value (-1~1%). The growth rate, discount rate, and liquidation value are major unobservable variables.
- (\*3) Even if the sensitivity analysis of the capital contributions and beneficiary certificates is not possible in practice, fair value changes of beneficiary certificates and other securities whose major unobservable variables are composed of the real estate are calculated by increasing or decreasing price fluctuation of real estate which is underlying assets and discount rate by 1%.
- (\*4) Changes of fair value are measured by increasing or decreasing the discount rate by 10%, which is major unobservable variable, respectively.

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

|  | September 30, 2018 |             |             |             | Book value  |
|--|--------------------|-------------|-------------|-------------|-------------|
|  | Level 1            | Level 2     | Level 3     | Total       |             |
| <b>Financial assets:</b>                           |                    |             |             |             |             |
| Securities at amortized cost                       | 2,469,807          | 16,681,848  |             | 19,151,655  | 19,121,604  |
| Loans and other financial assets at amortized cost |                    |             | 279,093,530 | 279,093,530 | 278,684,897 |
| <b>Financial liabilities:</b>                      |                    |             |             |             |             |
| Deposits due to customers                          |                    | 237,381,794 |             | 237,381,794 | 237,359,059 |
| Borrowings   |                    | 15,894,783  |             | 15,894,783  | 15,862,477  |
| Debentures   |                    | 28,384,433  |             | 28,384,433  | 28,102,679  |
| Other financial liabilities                        |                    | 23,194,928  |             | 23,194,928  | 23,197,293  |

|                               | December 31, 2017 |             |             |             | Book value  |
|-------------------------------|-------------------|-------------|-------------|-------------|-------------|
|                               | Level 1           | Level 2     | Level 3     | Total       |             |
| <b>Financial assets:</b>      |                   |             |             |             |             |
| HTM financial assets          | 1,206,292         | 15,509,387  |             | 16,715,679  | 16,749,296  |
| Loans and receivables         |                   |             | 265,570,649 | 265,570,649 | 267,106,204 |
| <b>Financial liabilities:</b> |                   |             |             |             |             |
| Deposits due to customers     |                   | 234,682,775 |             | 234,682,775 | 234,695,084 |
| Borrowings                    |                   | 14,754,506  |             | 14,754,506  | 14,784,706  |
| Debentures                    |                   | 27,889,781  |             | 27,889,781  | 27,869,651  |
| Other financial liabilities   |                   | 13,890,789  |             | 13,890,789  | 13,892,461  |

The fair values of financial instruments are measured using quoted market price in active markets. In case there is no active market for financial instruments, the Group determines the fair value using valuation methods. Valuation methods and input variables for financial assets and liabilities that are measured at amortized costs are given as follows:

|   | Valuation methods  | Input variables  |
|---|--|--|
| Securities at amortized cost (HTM financial assets in previous year)                        | The fair value is measured by discounting the projected cash flows of debt securities by applying the market discount rate that has been applied to a proxy company that has similar credit rating to the issuers of the securities. | Risk-free market rate and credit spread                  |
| Loans and other financial assets at amortized cost (Loans and receivables in previous year) | The fair value is measured by discounting the projected cash flows of loan products by applying the market discount rate that has been applied to a proxy company  | Risk-free market rate, credit spread and prepayment-rate |

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that has similar credit rating to the debtor.

Deposits due to customers, borrowings, debentures and other financial liabilities

The fair value is measured by discounting the projected cash flows of debt products by applying the market discount rate that is reflecting credit rating of the Group.

Risk-free market rate and forward rate

## (6) Financial instruments by category

Carrying amounts of financial assets and liabilities are as follows (Unit: Korean Won in millions):

| September 30, 2018     |                           |                            |                                 |                                       |             |
|------------------------|---------------------------|----------------------------|---------------------------------|---------------------------------------|-------------|
| Financial assets       | Financial assets at FVTPL | Financial assets at FVTOCI | Financial assets amortized cost | Derivatives assets (Held for hedging) | Total       |
| Deposits               | 27,045                    |                            | 19,338,144                      |                                       | 19,365,189  |
| Securities             | 3,449,460                 | 16,167,617                 | 19,121,604                      |                                       | 38,738,681  |
| Loans                  | 322,907                   |                            | 248,115,899                     |                                       | 248,438,806 |
| Derivative assets      | 1,921,399                 |                            |                                 | 13,716                                | 1,935,115   |
| Other financial assets |                           |                            | 11,230,854                      |                                       | 11,230,854  |
| Total                  | 5,720,811                 | 16,167,617                 | 297,806,501                     | 13,716                                | 319,708,645 |

| September 30, 2018              |                                |   |  |             |             |
|---------------------------------|--------------------------------|---|--|-------------|-------------|
| Financial liabilities           | Financial liabilities at FVTPL | Financial liabilities at amortized cost | Derivatives liabilities (Held for hedging) | Total       |             |
| Deposits due to customers       | 27,266                         | 237,359,059                             |  | 237,386,325 |             |
| Borrowings                      | 187,533                        | 15,862,477                              |  | 16,050,010  |             |
| Debentures                      |                                | 28,102,679                              |  | 28,102,679  |             |
| Derivative liabilities          | 2,007,243                      |   | 74,107                                     | 2,081,350   |             |
| Other financial liabilities (*) |                                | 23,241,001                              |  | 23,241,001  |             |
| Total                           |                                | 2,222,042                               | 304,565,216                                | 74,107      | 306,861,365 |

(\*) Other financial liabilities include 43,708 million Won of financial guarantee liabilities measured at amortized cost included in provisions.

| December 31, 2017      |                           |                      |                      |                       |                                       |             |
|------------------------|---------------------------|----------------------|----------------------|-----------------------|---------------------------------------|-------------|
| Financial assets       | Financial assets at FVTPL | AFS financial assets | HTM financial assets | Loans and receivables | Derivatives assets (Held for hedging) | Total       |
| Deposits               | 25,972                    |                      |                      | 8,868,378             |                                       | 8,894,350   |
| Securities             | 2,701,330                 | 15,352,950           | 16,749,296           |                       |                                       | 34,803,576  |
| Loans                  |                           |                      |                      | 251,523,301           |                                       | 251,523,301 |
| Derivative assets      | 3,115,775                 |                      |                      |                       | 59,272                                | 3,175,047   |
| Other financial assets |                           |                      |                      | 6,714,525             |                                       | 6,714,525   |
| Total                  | 5,843,077                 | 15,352,950           | 16,749,296           | 267,106,204           | 59,272                                | 305,110,799 |

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September 30, 2017

| Financial liabilities           | Financial liabilities<br>at FVTPL | Financial liabilities<br>at amortized cost | Derivatives<br>liabilities (Held<br>for hedging) | Total       |
|---------------------------------|-----------------------------------|--|--|-------------|
| Deposits due to customers       | 25,964                            | 234,695,084                                |  | 234,721,048 |
| Borrowings                      | 160,057                           | 14,784,706                                 |  | 14,944,763  |
| Debentures                      | 91,739                            | 27,869,651                                 |  | 27,961,390  |
| Derivative liabilities          | 3,150,149                         |  | 67,754   | 3,217,903   |
| Other financial liabilities (*) |                                   | 13,964,158                                 |  | 13,964,158  |
| Total                           | 3,427,909                         | 291,313,599                                | 67,754   | 294,809,262 |

(\*) Other financial liabilities include 71,697 million Won of financial guarantee liabilities measured at amortized cost included in provisions.

## 12. DERECOGNITION AND OFFSET OF FINANCIAL INSTRUMENTS

### (1) Derecognition of financial instruments

Transferred financial assets that do not meet the condition of derecognition in their entirety.

#### a) Disposal of securities under repurchase agreements

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

|                     |  | September 30,<br>2018 | December 31,<br>2017 |
|---------------------|--|-----------------------|----------------------|
| Assets transferred  | AFS financial assets                   |                       | 9,998                |
|                     | Securities at amortized cost           | 5,548                 |                      |
|                     | HTM financial assets                   |                       | 5,436                |
|                     | Total                                  | 5,548                 | 15,434               |
| Related liabilities | Bonds sold under repurchase agreements | 3,348                 | 3,173                |

#### b) Securities loaned

When the Group loans its securities to outside parties, the legal ownerships of the securities are transferred; however, they should be returned at the end of lending period. Therefore, the Group does not derecognize them from the financial statements as it owns majority of risks and benefits from the securities continuously, regardless of the transfer of legal ownership. The carrying amounts of the securities loaned are as follows (Unit: Korean Won in millions):

|                            |  | September 30,<br>2018 | December 31,<br>2017 | Loaned to                                       |
|----------------------------|--|-----------------------|----------------------|---|
| Financial assets at FVTOCI | Korean treasury, government bonds and others | 70,210                |                      | Korea Securities Finance Corporation            |
| AFS financial assets       | Korean treasury, government bonds and others |                       | 170,256              | Korea Securities Finance Corporation and others |
|                            | Total  | 70,210                | 170,256              |   |

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

(2) The offset of financial assets and liabilities

The Group possesses both the uncollected domestic exchange receivables and the unpaid domestic exchange payable, which satisfy offsetting criteria of IAS 32. Therefore, the total number of uncollected domestic exchange receivables or unpaid domestic exchange payable has been offset with part of unpaid domestic exchange payable or uncollected domestic exchange receivables and has been disclosed in loans at amortized cost and other financial assets (loans and receivables in previous year) or other financial liabilities of the Group's statements of financial position.

The Group possesses the derivative assets, derivative liabilities, receivable spot exchange and payable spot exchange that do not satisfy the offsetting criteria of IAS 32, but provide the Group under the circumstances of the trading party's defaults, insolvency or bankruptcy, the right of offsetting. Item such as cash collateral cannot satisfy the offsetting criteria of IAS 32, but in accordance with the collateral arrangements and under the circumstances of the trading party's default, insolvency or bankruptcy, the net amount of derivative assets and derivative liabilities, receivable spot exchange and payable spot exchange can be offset.



The Group has entered into a resale and repurchase agreement and accounted it as a collateralized borrowing. The Group has also entered into a resale and purchase agreement and accounted it as a secured advance. The resale and repurchase agreements can have the offsetting right only under the trading party's default, insolvency or bankruptcy, which do not satisfy the offsetting criteria of IAS 32. The Group recorded the collateralized borrowing in borrowings and the secured loans in loans and receivables. The Group under the repurchase agreements has offsetting right only upon the counterparty's default, insolvency or bankruptcy; thus, the repurchase agreements are applied by the TBMA/ISMA Global Master Repurchase Agreement, which does not satisfy the offsetting criteria of IAS 32. The Group disclosed bonds purchased under resale agreements as loan at amortized cost and other financial assets (loans and receivables in previous year) and bonds sold under repurchase agreements as borrowings.

As of September 30, 2018 and December 31, 2017, the financial instruments to be off set and may be covered by master netting agreements and similar agreements are as follows (Unit: Korean Won in millions):

|  | September 30, 2018                           |   |   |  |                          |                  |
|--|--|---|---|--|--------------------------|------------------|
|  | Gross amounts of recognized financial assets | Gross amounts of recognized financial assets setoff | Net amounts of financial assets presented | Related amounts not setoff in the consolidated statement of financial position |                          |                  |
|  |  |   |   | Netting agreements and others  | Cash collateral received | Net amounts      |
| <b>Financial assets:</b>                     |  |   |   |  |                          |                  |
| Derivative assets and others (*1)            | 1,846,834                                    |   | 1,846,834                                 | 8,392,198  | 21,770                   | 407,473          |
| Receivable spot exchange (*2)                | 6,974,607                                    |   | 6,974,607                                 |  |                          |                  |
| Bonds purchased under resale agreements (*2) | 4,758,495                                    |   | 4,758,495                                 | 4,758,495  |                          |                  |
| Domestic exchanges receivable (*2)(*5)       | 27,364,546                                   | 26,697,317  | 667,229                                   |  |                          | 667,229          |
| <b>Total</b>                                 | <b>40,944,482</b>                            | <b>26,697,317</b>                                   | <b>14,247,165</b>                         | <b>13,150,693</b>  | <b>21,770</b>            | <b>1,074,702</b> |

|   | September 30, 2018                                |  |  |  |                         |             |
|---|---|--|--|--|-------------------------|-------------|
|   | Gross amounts of recognized financial liabilities | Gross amounts of recognized financial liabilities setoff | Net amounts of financial liabilities presented | Related amounts not setoff in the consolidated statement of financial position |                         |             |
|   |   |  |  | Netting agreements and others  | Cash collateral pledged | Net amounts |
| <b>Financial liabilities:</b>               |   |  |  |  |                         |             |
| Derivative liabilities and others (*1)      | 2,140,768   |  | 2,140,768                                      | 8,369,621  | 176,483                 | 569,088     |
| Payable spot exchange (*3)                  | 6,974,424   |  | 6,974,424                                      |  |                         |             |
| Bonds sold under repurchase agreements (*4) | 3,348   |  | 3,348  | 3,348  |                         |             |
| Domestic exchanges payable (*3)(*5)         | 32,395,185  | 26,697,317   | 5,697,868                                      | 3,408,953  |                         | 2,288,915   |

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|       |            |            |            |            |         |           |
|-------|------------|------------|------------|------------|---------|-----------|
| Total | 41,513,725 | 26,697,317 | 14,816,408 | 11,781,922 | 176,483 | 2,858,003 |
|-------|------------|------------|------------|------------|---------|-----------|

(\*1) The items include derivatives held for trading, derivatives held for hedging and equity-linked securities.

(\*2) The items are included in loan at amortized cost and other financial assets.

(\*3) The items are included in other financial liabilities.

(\*4) The items are included in borrowings.

(\*5) Certain financial assets and liabilities are presented as net amounts.

|  | December 31, 2017                            |   |   |  |                          |                |
|--|--|---|---|--|--------------------------|----------------|
|  | Gross amounts of recognized financial assets | Gross amounts of recognized financial assets setoff | Net amounts of financial assets presented | Related amounts not setoff in the consolidated statement of financial position |                          |                |
|  |  |   |   | Netting agreements and others  | Cash collateral received | Net amounts    |
| <b>Financial assets:</b>                     |  |   |   |  |                          |                |
| Derivative assets and others (*1)            | 2,992,476                                    | 1,710   | 2,990,766                                 | 5,787,448  | 174,415                  | 796,629        |
| Receivable spot exchange (*2)                | 3,767,726                                    |   | 3,767,726                                 |  |                          |                |
| Bonds purchased under resale agreements (*2) | 16,859,064                                   |   | 16,859,064                                | 16,859,064   |                          |                |
| Domestic exchanges receivable (*2)(*5)       | 39,050,227                                   | 38,985,354  | 64,873                                    |  |                          | 64,873         |
| <b>Total</b>                                 | <b>62,669,493</b>                            | <b>38,987,064</b>                                   | <b>23,682,429</b>                         | <b>22,646,512</b>  | <b>174,415</b>           | <b>861,502</b> |

|   | December 31, 2017                                 |  |  |  |                         |                |
|---|---|--|--|--|-------------------------|----------------|
|   | Gross amounts of recognized financial liabilities | Gross amounts of recognized financial liabilities setoff | Net amounts of financial liabilities presented | Related amounts not setoff in the consolidated statement of financial position |                         |                |
|   |   |  |  | Netting agreements and others  | Cash collateral pledged | Net amounts    |
| <b>Financial liabilities:</b>               |   |  |  |  |                         |                |
| Derivative liabilities and others (*1)      | 3,160,217   | 1,710  | 3,158,507                                      | 5,866,682  | 157,750                 | 857,961        |
| Payable spot exchange (*3)                  | 3,723,886   |  | 3,723,886                                      |  |                         |                |
| Bonds sold under repurchase agreements (*4) | 3,173   |  | 3,173  | 3,173  |                         |                |
| Domestic exchanges payable (*3)(*5)         | 40,284,515  | 38,985,354   | 1,299,161                                      | 1,293,931  |                         | 5,230          |
| <b>Total</b>                                | <b>47,171,791</b>                                 | <b>38,987,064</b>  | <b>8,184,727</b>                               | <b>7,163,786</b>   | <b>157,750</b>          | <b>863,191</b> |

(\*1) The items include derivatives held for trading, derivatives for hedging and equity linked securities.

(\*2) The items are included in loans and receivables.

(\*3) The items are included in other financial liabilities.

(\*4) The items are included in borrowings.

(\*5) Certain financial assets and liabilities are presented at as net amounts.

### 13. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

| Joint ventures and Associates         | Main business                          | Percentage of ownership (%) |                   | Financial statements as of |
|---------------------------------------|--|-----------------------------|-------------------|----------------------------|
|                                       |  | September 30, 2017          | December 31, 2017 | (2018)                     |
| <b>Woori Bank:</b>                    |  |                             |                   |                            |
| Kumho Tire Co., Inc. (*1)             | Manufacturing                          |                             | 14.2              |                            |
| Woori Service Networks Co., Ltd. (*4) | Freight & staffing services            | 4.9                         | 4.9               | August 31 (*3)             |
| Korea Credit Bureau Co., Ltd. (*5)    | Credit information                     | 9.9                         | 9.9               | September 30               |
| Korea Finance Security Co., Ltd. (*4) | Security service                       | 15.0                        | 15.0              | August 31 (*3)             |
| Chin Hung International Inc. (*2)     | Construction                           | 25.3                        | 25.3              | August 31 (*3)             |
| Poonglim Industrial Co., Ltd. (*9)    | Construction                           |                             | 29.4              |                            |
| STX Engine Co., Ltd. (*10)            | Manufacturing                          |                             | 29.2              |                            |
| STX Corporation (*10)                 | Wholesale of non-specialized goods     |                             | 19.7              |                            |
| Saman Corporation (*5)                | General construction                   |                             |                   |                            |
|                                       | Technology service                     | 9.2                         | 9.2               | June 30 (*3)               |
| Dongwoo C & C Co., Ltd. (*6)          | Construction                           | 23.2                        | 23.2              |                            |
| SJCO Co., Ltd. (*6)                   | Aggregate transportation and wholesale | 26.5                        | 26.5              |                            |
| G2 Collection Co., Ltd. (*6)          | Wholesale and retail sales             | 28.9                        | 28.9              |                            |

|  |                                    | Percentage of ownership (%) |                   | Financial statements as of |
|--|------------------------------------|-----------------------------|-------------------|----------------------------|
|  | Main business                      | September 30, 2018          | December 31, 2017 | (2018)                     |
| Joint ventures and Associates  |                                    |                             |                   |                            |
| The Base Enterprise Co., Ltd. (*6)   | Manufacturing                      | 48.4                        | 48.4              |                            |
| Kyesan Engineering Co., Ltd. (*6)  | Construction                       | 23.2                        | 23.2              |                            |
| Good Software Lab Co., Ltd. (*6)   | Service                            | 28.9                        | 28.9              |                            |
| Wongwang Co., Ltd. (*6)  | Wholesale and real estate          | 29.0                        | 29.0              |                            |
| Sejin Construction Co., Ltd. (*6)  | Construction                       | 29.6                        | 29.6              |                            |
| QTS Shipping Co., Ltd. (*6)  | Complex transportation brokerage   | 49.4                        | 49.4              |                            |
| DAEA SNC Co., Ltd. (*6)  | Wholesale and retail sales         | 24.0                        | 24.0              |                            |
| ARES-TECH Co., Ltd. (*6)   | Electronic component manufacturing | 23.4                        | 23.4              |                            |
| Reading Doctors Co., Ltd. (*6)   | Other services                     | 35.4                        | 35.4              |                            |
| PREXCO Co., Ltd. (*6)  | Manufacturing                      | 28.1                        | 28.1              |                            |
| Hyunwoo International Co., Ltd. (*11)  | Manufacturing                      |                             | 25.9              |                            |
| Jiwon Plating Co., Ltd. (*6)   | Plating                            | 20.5                        | 20.5              |                            |
| Cultizm Korea LTD Co., Ltd. (*6)   | Wholesale and retail sales         | 31.3                        | 31.3              |                            |
| Gil Co.,Ltd. (*6)  | Manufacturing                      | 26.1                        | 26.1              |                            |
| NK Eng Co., Ltd. (*6)  | Manufacturing                      | 23.1                        | 23.1              |                            |
| Youngdong Sea Food Co., Ltd. (*6)(*7)  | Processed sea food manufacturing   | 24.0                        |                   |                            |
| Woori Growth Partnerships New Technology Private Equity Fund                           | Other financial services           | 23.1                        | 23.1              | September 30               |
| 2016KIF-IMM Woori Bank Technology Venture Fund   | Other financial services           | 20.0                        | 20.0              | September 30               |
| K BANK Co., Ltd. (*5)  | Finance                            | 14.6                        | 13.0              | August 31 (*3)             |
| Smart Private Equity Fund No.2   | Other financial services           | 20.0                        | 20.0              | September 30               |
| Woori Bank-Company K Korea Movie Asset Fund  | Other financial services           | 25.0                        | 25.0              | September 30               |
| Well to Sea No. 3 Private Equity Fund (*12)  | Finance                            | 50.0                        | 50.0              | June 30 (*3)               |
| Partner One Value Up Ist Private Equity Fund (*8)                                      | Other financial services           | 23.3                        |                   | September 30               |
| IBK KIP Seongjang Dideemdol 1st Private Investment Limited Partnership (*8)            | Other financial services           | 20.0                        |                   | September 30               |
| Crevisse Raim Impact 1st Startup Venture Specialist Private Equity Fund (*8)           | Other financial services           | 25.0                        |                   | September 30               |
| Woori Investment Bank Co., Ltd. Nomura-Rifa Private Real Estate Investment Trust No.17 | Other financial services           | 21.9                        | 25.0              | September 30               |
| Woori Private Equity Asset Management Co., Ltd.  |                                    |                             |                   |                            |
| Uri Hanhwa Eureka Private Equity Fund (*8)   | Other financial services           | 0.8                         |                   | September 30               |

- (\*1) The Group did not have significant influence over the entity due to the termination of the joint management procedures of the creditors' financial institution, and thus the entity was excluded from the investment in associates for the nine months ended September 30, 2018.
- (\*2) The investments in associates that have quoted market prices are Chin Hung International Inc. (current period: KRW 1,970, previous year: KRW 1,915).
- (\*3) The significant transactions and events between the end of reporting period of the associates and the Group have been properly incorporated.
- (\*4) Most of the significant business transactions of associates are with the Group as of September 30, 2018 and December 31, 2017.
- (\*5) The Group can participate in decision-making body and exercise significant influence over associates through business partnerships.
- (\*6) The carrying values of investments in associates are nil as of September 30, 2018 and December 31, 2017.
- (\*7) Even though the Group's ownership ratio of the entity was more than 20%, the Group did not have significant influence over the entity because the entity was going through workout process under receivership and thus was excluded from the investment in associates as of December 31, 2017. However, as the workout process was completed for the nine months ended September 30, 2018, it has been included in the investment in associates.

- (\*8) Due to capital contribution by the Group for the nine months ended September 30, 2018, the entities has been included in the investment in associates.
- (\*9) The Group did not have significant influence over the entity due to the fact that the entity was going through workout process, and thus the entity was excluded from the investment in associates for the nine months ended September 30, 2018.
- (\*10) The entity was sold after it was transferred to assets held for sale and was excluded from the investment in associates.
- (\*11) The entity was excluded from investments in associates as the group sold its entire stake during the nine months ended September 30, 2018.
- (\*12) The Group has entered into a contract whereas the Group (or a third party designated by the Group) obtains a preemptive right to acquire the base assets (Aju Capital Co. Ltd.) of Well to Sea No. 3 Private Equity Fund, an affiliate of the Group, when the Fund disposes them.
- (2) Changes in the carrying value of investments in joint ventures and associates accounted for using the equity method of accounting are as follows (Unit: Korean Won in millions):

|  | For the nine months ended September 30, 2018 |                 |                           |             |                         |           |                              |
|--|--|-----------------|---------------------------|-------------|-------------------------|-----------|------------------------------|
|  | Acquisition cost                             | January 1, 2018 | Share of profits (losses) | Acquisition | Disposal and others (*) | Dividends | Change in September 30, 2018 |
| Kumho Tire Co., Inc.   | 175,652                                      | 98,933          | (10,451)                  |             | (83,286)                |           | (5,196)                      |
| Woori Service Networks Co., Ltd.                             | 108  | 158             | 2                         |             |                         | (2)       | 158                          |
| Korea Credit Bureau Co., Ltd.                                | 3,313  | 5,816           | 933                       |             |                         | (113)     | 6,636                        |
| Korea Finance Security Co., Ltd.                             | 3,267  | 3,519           | 36                        |             |                         | (54)      | 1 3,502                      |
| Chin Hung International Inc.                                 | 130,779                                      | 45,101          | (729)                     |             |                         |           | (1,723) 42,649               |
| Poonglim Industrial Co., Ltd.                                | 13,916                                       |                 |                           |             |                         |           |                              |
| STX Corporation  | 50,760                                       | 6,947           | (816)                     |             | (5,865)                 |           | (266)                        |
| Saman Corporation  | 8,521  | 1,254           | (87)                      |             |                         |           | 34 1,201                     |
| Woori Growth Partnerships New Technology Private Equity Fund | 28,833                                       | 27,611          | 1,162                     |             | (3,346)                 | (484)     | 24,943                       |
| 2016KIF-IMM Woori Bank Technology Venture Fund               | 14,250                                       | 6,840           |                           | 7,410       |                         |           | 1,243 15,493                 |
| K BANK Co., Ltd.   | 55,397                                       | 31,735          | (8,015)                   | 10,004      |                         |           | 198 33,922                   |
| Smart Private Equity Fund No.2                               | 3,000  | 2,932           | (32)                      |             |                         |           | 2,900                        |
| Woori Bank-Company K Korea Movie Asset Fund                  | 3,000  | 2,957           | 22                        |             |                         |           | 2,979                        |

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|  |         |         |         |        |          |       |          |         |
|--|---------|---------|---------|--------|----------|-------|----------|---------|
| Well to Sea No.3<br>Private Equity Fund  | 101,992 | 182,309 | 16,183  |        | (508)    | (258) | (6,447)  | 191,279 |
| Partner One Value<br>Up Ist Private Equity<br>Fund                               | 10,000  |         | (48)    | 10,000 |          |       |          | 9,952   |
| IBK KIP Seongjang<br>Dideemdol 1st<br>Private Investment<br>Limited Partnership  | 3,268   |         |         | 3,268  |          |       |          | 3,268   |
| Crevisse Raim<br>Impact 1st Startup<br>Venture Specialist<br>Private Equity Fund | 1,525   |         |         | 1,525  |          |       |          | 1,525   |
| Nomura-Rifa Private<br>Real Estate<br>Investment Trust<br>No.17                  | 1,000   | 939     | (83)    |        |          |       |          | 856     |
| Uri Hanhwa Eureka<br>Private Equity Fund   | 350     |         | (10)    | 350    |          |       |          | 340     |
| Total  | 608,931 | 417,051 | (1,933) | 32,557 | (93,005) | (911) | (12,156) | 341,603 |

(\*) Investments in joint ventures and associates decreased by 83,286 million Won through transfers to financial assets at FVTOCI(IFRS 9) which occurred during the nine months ended September 30, 2018.



|  | For the nine months ended September 30, 2017 |                 |                           |                 |                     |           |                   |            |                    |
|--|--|-----------------|---------------------------|-----------------|---------------------|-----------|-------------------|------------|--------------------|
|  | Acquisition cost                             | January 1, 2017 | Share of profits (losses) | Acquisition (*) | Disposal and others | Dividends | Change in Capital | Others (*) | September 30, 2017 |
| Woori Blackstone Korea Opportunity No.1 Private Equity Fund  |  | 15,289          | (4,621)                   |                 | (7,333)             | (3,298)   |                   |            | 37                 |
| Kumho Tire Co., Inc.   | 175,652                                      | 200,332         | (6,845)                   |                 |                     |           | 397               |            | 193,884            |
| Woori Service Networks Co., Ltd.                             | 108  | 145             | 10                        |                 |                     |           | (8)               |            | 147                |
| Korea Credit Bureau Co., Ltd.                                | 3,313  | 5,592           | 457                       |                 |                     |           | (149)             |            | 5,900              |
| Korea Finance Security Co., Ltd.                             | 3,266  | 3,376           | 106                       |                 |                     |           | (54)              |            | 3,428              |
| Chin Hung International Inc.                                 | 89,725                                       | 43,032          | (18,098)                  | 41,053          |                     |           | 1,562             | (26,144)   | 41,405             |
| Poonglim Industrial Co., Ltd.                                | 13,916                                       |                 |                           |                 |                     |           |                   |            |                    |
| STX Engine Co., Ltd.   | 92,038                                       | 43,036          | (300)                     |                 |                     |           | 4,230             |            | 46,966             |
| SamHo Co., Ltd.  | 7,492  | 19,729          | 2,021                     |                 | (16,354)            |           | (73)              | (5,323)    |                    |
| STX Corporation  | 42,215                                       |                 | (28,520)                  | 8,546           |                     |           | 690               | 27,772     | 8,488              |
| Saman Corporation  | 8,521  | 8,699           | (872)                     |                 |                     |           | 26                |            | 7,853              |
| Woori Growth Partnerships New Technology Private Equity Fund | 13,602                                       | 13,118          | (376)                     | 15,099          | (498)               |           | (156)             |            | 27,187             |
| 2016KIF-IMM Woori Bank Technology Venture Fund               | 1,800  | 1,800           |                           | 4,140           |                     |           |                   |            | 5,940              |
| K BANK Co., Ltd.   | 32,500                                       | 30,442          | (8,501)                   | 11,172          |                     |           | (139)             | 25         | 32,999             |
| Smart Private Equity Fund No.2                               | 3,000  |                 | (58)                      | 3,000           |                     |           |                   |            | 2,942              |

|  |         |         |         |          |                                       |
|--|---------|---------|---------|----------|---------------------------------------|
| Woori<br>Bank-Company<br>K Korea Movie<br>Asset Fund | 1,500   | (28)    | 1,500   |          | 1,472                                 |
| Well to Sea<br>No.3 Private<br>Equity Fund           | 102,500 | 76,962  | 102,500 | (250)    | 179,212                               |
| Woori<br>Renaissance<br>Holdings                     | 54,422  | (622)   |         | (57,109) | 3,309                                 |
|  | 591,148 | 439,012 | 10,715  | 187,010  | (24,435) (60,618) 6,537 (361) 557,860 |

(\* ) Changes in investments in joint ventures and associates due to debt-equity swap is 51,227 million Won.

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

|  | September 30, 2018 |             |                   |                   |
|--|--------------------|-------------|-------------------|-------------------|
|  | Assets             | Liabilities | Operating revenue | Net income (loss) |
| Woori Service Networks Co., Ltd.   | 5,013              | 1,809       | 11,543            | 843               |
| Korea Credit Bureau Co., Ltd.  | 86,617             | 22,155      | 55,849            | 8,354             |
| Korea Finance Security Co., Ltd.   | 33,817             | 10,481      | 43,588            | 185               |
| Chin Hung International Inc.   | 389,473            | 317,354     | 442,614           | (1,263)           |
| Saman Corporation  | 97,340             | 69,417      | 54,579            | (751)             |
| Woori Growth Partnerships New Technology Private<br>Equity Fund            | 108,524            | 439         | 6,423             | 5,035             |
| 2016KIF-IMM Woori Bank Technology Venture<br>Fund                          | 74,944             |             | 12                | (750)             |
| K BANK Co., Ltd.   | 1,941,827          | 1,727,813   | 41,684            | (44,317)          |
| Smart Private Equity Fund No.2   | 14,554             | 52          | 1                 | (158)             |
| Woori Bank-Company K Korea Movie Asset Fund                                | 11,918             |             | 1,002             | 818               |
| Well to Sea No.3 Private Equity Fund                                       | 5,616,196          | 5,060,956   | 279,833           | 26,075            |
| Partner One Value Up 1st Private Equity Fund                               | 42,951             | 158         | 186               | (206)             |
| IBK KIP Seongjang Dideemdol 1st Private<br>Investment Limited Partnership  | 15,292             | 379         | 197               | (1,008)           |
| Crevisse Raim Impact 1st Startup Venture Specialist<br>Private Equity Fund | 6,103              | 89          | 1                 | (86)              |
| Nomura-Rifa Private Real Estate Investment Trust<br>No.17                  | 20,232             | 16,333      | 53                | (62)              |
| Uri Hanhwa Eureka Private Equity Fund                                      | 42,331             | 63          |                   | (1,232)           |

|  | December 31, 2017 |             |                   |                   |
|--|-------------------|-------------|-------------------|-------------------|
|  | Assets            | Liabilities | Operating revenue | Net income (loss) |
| Kumho Tire Co., Inc.   | 5,105,107         | 3,928,327   | 2,136,569         | (61,748)          |
| Woori Service Networks Co., Ltd.                             | 4,982             | 1,780       | 14,887            | 1,003             |
| Korea Credit Bureau Co., Ltd.                                | 75,504            | 19,323      | 68,750            | 3,580             |
| Korea Finance Security Co., Ltd.                             | 33,915            | 10,461      | 55,610            | 1,071             |
| Chin Hung International Inc.                                 | 341,284           | 259,454     | 513,285           | 28,698            |
| Poonglim Industrial Co., Ltd.                                | 241,063           | 309,925     | 107,360           | (29,812)          |
| STX Corporation  | 595,348           | 543,458     | 1,371,272         | 342,869           |
| Saman Corporation  | 98,435            | 69,929      | 76,135            | (6,096)           |
| Woori Growth Partnerships New Technology Private Equity Fund | 120,133           | 485         | 1,024             | (3,199)           |
| 2016KIF-IMM Woori Bank Technology Venture Fund               | 32,815            | 380         | 6                 | (1,515)           |
| K BANK Co., Ltd.   | 1,244,270         | 1,001,121   | 19,231            | (74,403)          |
| Smart Private Equity Fund No.2                               | 14,711            | 51          | 1                 | (340)             |
| Woori Bank-Company K Korea Movie Asset Fund                  | 11,830            | 2           | 16                | (172)             |
| Well to Sea No.3 Private Equity Fund                         | 5,068,424         | 4,534,957   | 131,488           | 162,743           |
| Nomura-Rifa Private Real Estate Investment Trust No.17       | 20,265            | 16,507      | 62                | (242)             |

- (4) The entities that the Group has not applied equity method of accounting although the Group's ownership interest is more than 20% as of September 30, 2018 and December 31, 2017, are as follows:

| Associate (*)                 | September 30, 2018     |               |
|-------------------------------|------------------------|---------------|
|                               | Number of shares owned | Ownership (%) |
| Orient Shipyard Co., Ltd.     | 464,812                | 21.4          |
| Saenuel Co., Ltd.             | 3,531                  | 37.4          |
| E Mirae Tech Co., Ltd.        | 7,696                  | 41.0          |
| Jehin Trading Co., Ltd.       | 81,610                 | 27.3          |
| The Season Company Co., Ltd.  | 18,187                 | 30.1          |
| Yuil PESC Co., Ltd.           | 8,642                  | 24.0          |
| Sinseong Trading Co., Ltd.    | 2,584                  | 27.2          |
| CL Tech Co., Ltd.             | 13,759                 | 38.6          |
| Force TEC Co., Ltd.           | 4,780,907              | 25.8          |
| Poonglim Industrial Co., Ltd. | 4,142,782              | 29.1          |

- (\*) Even though the Group's ownership interest of the entity is more than 20%, the Group does not have significant influence over the entity since it is going through work-out process under receivership, thus it is excluded from the investment in associates.

| Associate (*)             | December 31, 2017      |               |
|---------------------------|------------------------|---------------|
|                           | Number of shares owned | Ownership (%) |
| Orient Shipyard Co., Ltd. | 465,050                | 21.4          |
| Saenuel Co., Ltd.         | 3,531                  | 37.4          |

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|                              |           |      |
|------------------------------|-----------|------|
| E Mirae Tech Co., Ltd.       | 7,696     | 41.0 |
| Jehin Trading Co., Ltd.      | 81,610    | 27.3 |
| The Season Company Co., Ltd. | 18,187    | 30.1 |
| Yuil PESC Co., Ltd.          | 8,642     | 24.0 |
| Youngdong Sea Food Co., Ltd. | 12,106    | 24.0 |
| Sinseong Trading Co., Ltd.   | 2,584     | 27.2 |
| CL Tech Co., Ltd.            | 13,759    | 38.6 |
| Force TEC Co., Ltd.          | 4,780,907 | 25.8 |
| Protronics Co., Ltd.         | 95,921    | 48.1 |
| Instern Co., Ltd.            | 14,296    | 20.1 |

- (\*) Even though the Group's ownership interest of the entity is more than 20%, the Group does not have significant influence over the entity since it is going through work-out process under receivership, thus it is excluded from the investment in associates.

- (5) As of September 30, 2018 and December 31, 2017, the reconciliations from the net assets of associates based on the ownership ratio of the Group to its corresponding book value of investment in joint ventures and associates are as follows (Unit: Korean Won in millions except for ownership):

|   | September 30, 2018 |               |                                 |                  |                                     |            |
|---|--------------------|---------------|---------------------------------|------------------|-------------------------------------|------------|
|   | Total net asset    | Ownership (%) | Ownership portion of net assets | Basis difference | Intercompany Impairment transaction | Book value |
| Woori Service Networks Co., Ltd.  | 3,204              | 4.9           | 158                             |                  |                                     | 158        |
| Korea Credit Bureau Co., Ltd.   | 64,462             | 9.9           | 6,390                           | 246              |                                     | 6,636      |
| Korea Finance Security Co., Ltd.  | 23,336             | 15.0          | 3,502                           |                  |                                     | 3,502      |
| Chin Hung International Inc. (*)  | 71,975             | 25.3          | 18,214                          | 24,565           | (130)                               | 42,649     |
| Saman Corporation   | 27,923             | 9.2           | 2,566                           | 5,373            | (6,738)                             | 1,201      |
| Woori Growth Partnerships   |                    |               |                                 |                  |                                     |            |
| New Technology Private Equity Fund                                      | 108,085            | 23.1          | 24,943                          |                  |                                     | 24,943     |
| 2016 KIF-IMM Woori Bank Technology Venture Fund                         | 74,944             | 20.0          | 14,989                          |                  | 504                                 | 15,493     |
| K BANK Co., Ltd.  | 214,014            | 14.6          | 31,199                          | 2,529            | 194                                 | 33,922     |
| Smart Private Equity Fund No. 2   | 14,502             | 20.0          | 2,900                           |                  |                                     | 2,900      |
| Woori Bank-Company K  |                    |               |                                 |                  |                                     |            |
| Korea Movie Asset Fund  | 11,918             | 25.0          | 2,979                           |                  |                                     | 2,979      |
| Well to Sea No.3 Private Equity Fund (*)                                | 383,495            | 50.0          | 191,654                         |                  | (375)                               | 191,279    |
| Partner One Value Up 1st Private Equity Fund                            | 42,793             | 23.3          | 9,952                           |                  |                                     | 9,952      |
| IBK KIP Seongjang Dideemdol 1st Private Investment Limited Partnership  | 14,913             | 20.0          | 2,983                           |                  | 285                                 | 3,268      |
| Crevisse Raim Impact 1st Startup Venture Specialist Private Equity Fund | 6,014              | 25.0          | 1,504                           |                  | 21                                  | 1,525      |
| Nomura-Rifa Private Real Estate Investment Trust No. 17                 | 3,899              | 21.9          | 854                             |                  | 2                                   | 856        |
| Uri Hanhwa Eureka Private Equity Fund                                   | 42,268             | 0.8           | 338                             |                  | 2                                   | 340        |

(\*) The net asset amount is after reflecting debt-equity swap and others.

|  | December 31, 2017 |               |                                 |                  |                                     |            |
|--|-------------------|---------------|---------------------------------|------------------|-------------------------------------|------------|
|  | Total net asset   | Ownership (%) | Ownership portion of net assets | Basis difference | Intercompany Impairment transaction | Book value |

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|  |           |      |          |        |           |        |         |
|--|-----------|------|----------|--------|-----------|--------|---------|
| Kumho Tire Co., Inc. (*)                                     | 1,065,421 | 14.2 | 150,767  | 48,459 | (102,843) | 2,549  | 98,932  |
| Woori Service Networks Co., Ltd.                             | 3,202     | 4.9  | 158      |        |           |        | 158     |
| Korea Credit Bureau Co., Ltd.                                | 56,181    | 9.9  | 5,568    | 248    |           |        | 5,816   |
| Korea Finance Security Co., Ltd.                             | 23,454    | 15.0 | 3,519    |        |           |        | 3,519   |
| Chin Hung International Inc. (*)                             | 81,686    | 25.3 | 20,671   | 24,565 |           | (136)  | 45,100  |
| Poonglim Industrial Co., Ltd. (*)                            | (168,154) | 29.4 | (49,446) | 54,542 | (20,504)  | 15,408 |         |
| STX Corporation  | 51,890    | 19.7 | 10,232   | 24,614 | (27,904)  | 5      | 6,947   |
| Saman Corporation  | 28,506    | 9.2  | 2,619    | 5,373  | (6,738)   |        | 1,254   |
| Woori Growth Partnerships New Technology Private Equity Fund | 119,648   | 23.1 | 27,611   |        |           |        | 27,611  |
| 2016 KIF-IMM Woori Bank Technology Venture Fund              | 32,435    | 20.0 | 6,487    |        |           | 353    | 6,840   |
| K BANK Co., Ltd.   | 243,149   | 13.0 | 31,535   |        |           | 200    | 31,735  |
| Smart Private Equity Fund No. 2                              | 14,660    | 20.0 | 2,932    |        |           |        | 2,932   |
| Woori Bank-Company K Korea Movie Asset Fund                  | 11,828    | 25.0 | 2,957    |        |           |        | 2,957   |
| Well to Sea No.3 Private Equity Fund (*)                     | 364,909   | 50.0 | 182,366  |        |           | (57)   | 182,309 |
| Nomura-Rifa Private Real Estate Investment Trust No. 17      | 3,758     | 25.0 | 939      |        |           |        | 939     |

(\*) The net asset amount is after reflecting debt-equity swap and others.

**14. INVESTMENT PROPERTIES**

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

|                          | September 30, 2018 | December 31, 2017 |
|--------------------------|--------------------|-------------------|
| Acquisition cost         | 419,911            | 404,741           |
| Accumulated depreciation | (37,522)           | (33,440)          |
| Net carrying value       | 382,389            | 371,301           |

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

|  | For the nine months ended September 30 |         |
|--|--|---------|
|  | 2018                                   | 2017    |
| Beginning balance                          | 371,301                                | 358,497 |
| Acquisition                                | 10,225                                 | 5,080   |
| Disposal                                   | (3,040)                                | (397)   |
| Depreciation                               | (3,022)                                | (2,986) |
| Reversal of impairment loss                |  | 112     |
| Transfers                                  | 7,025                                  | 1,580   |
| Classified to held for sale                |  | (464)   |
| Foreign currencies translation adjustments | (173)                                  | (67)    |
| Others                                     | 73                                     |         |
| Ending balance                             | 382,389                                | 361,355 |

(3) Rental fee earned from investment properties is amounting to 3,738 million Won and 3,789 million Won for the nine months ended September 30, 2018 and 2017, respectively.

**15. PREMISES AND EQUIPMENT**

(1) Details of premises and equipment are as follows (Unit: Korean Won in millions):

|                          | September 30, 2018 |           |                        |                       |                          |            | Total       |
|--------------------------|--------------------|-----------|------------------------|-----------------------|--------------------------|------------|-------------|
|                          | Land               | Building  | Equipment and vehicles | Leasehold improvement | Construction in progress | Structures |             |
| Acquisition cost         | 1,481,566          | 866,829   | 1,097,022              | 441,584               | 8,324                    | 20         | 3,895,345   |
| Accumulated depreciation |                    | (203,942) | (868,794)              | (384,298)             |                          | (17)       | (1,457,051) |

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|                    |           |         |         |        |       |   |           |
|--------------------|-----------|---------|---------|--------|-------|---|-----------|
| Net carrying value | 1,481,566 | 662,887 | 228,228 | 57,286 | 8,324 | 3 | 2,438,294 |
|--------------------|-----------|---------|---------|--------|-------|---|-----------|

December 31, 2017

|                             | Land      | Building  | Equipment<br>and vehicles | Leasehold<br>improvement | Construction<br>in progress | Structures | Total       |
|-----------------------------|-----------|-----------|---------------------------|--------------------------|-----------------------------|------------|-------------|
| Acquisition cost            | 1,487,278 | 867,804   | 1,024,186                 | 429,665                  | 64,559                      | 20         | 3,873,512   |
| Accumulated<br>depreciation |           | (186,958) | (844,114)                 | (364,878)                |                             | (17)       | (1,395,967) |
| Net carrying value          | 1,487,278 | 680,846   | 180,072                   | 64,787                   | 64,559                      | 3          | 2,477,545   |



(2) Details of changes in premises and equipment are as follows (Unit: Korean Won in millions):

|  | For the nine months ended September 30, 2018 |          |                        |                       |                          |            | Total     |
|--|--|----------|------------------------|-----------------------|--------------------------|------------|-----------|
|  | Land   | Building | Equipment and vehicles | Leasehold improvement | Construction in progress | Structures |           |
| Beginning balance                          | 1,487,278                                    | 680,846  | 180,072                | 64,787                | 64,559                   | 3          | 2,477,545 |
| Acquisitions                               | 933  | 9,192    | 40,304                 | 9,645                 | 7,384                    |            | 67,458    |
| Disposals                                  |  |          | (144)                  | (740)                 |                          |            | (884)     |
| Depreciation                               |  | (19,464) | (56,183)               | (24,358)              |                          |            | (100,005) |
| Classified to held for sale                | (3,651)                                      | (2,592)  |                        |                       |                          |            | (6,243)   |
| Transfer                                   | (2,473)                                      | (4,552)  | 63,432                 |                       | (63,432)                 |            | (7,025)   |
| Foreign currencies translation adjustments | (521)  | (534)    | (343)                  | 204                   | (187)                    |            | (1,381)   |
| Acquisition through business combination   |  |          | 969                    | 661                   |                          |            | 1,630     |
| Others                                     |  | (9)      | 121                    | 7,087                 |                          |            | 7,199     |
| Ending balance                             | 1,481,566                                    | 662,887  | 228,228                | 57,286                | 8,324                    | 3          | 2,438,294 |

|  | For the nine months ended September 30, 2017 |          |                        |                       |                          |            | Total     |
|--|--|----------|------------------------|-----------------------|--------------------------|------------|-----------|
|  | Land   | Building | Equipment and vehicles | Leasehold improvement | Construction in progress | Structures |           |
| Beginning balance                          | 1,488,745                                    | 691,699  | 189,902                | 68,958                | 18,717                   | 4          | 2,458,025 |
| Acquisitions                               | 4,244  | 17,932   | 46,917                 | 16,851                | 47,736                   |            | 133,680   |
| Disposals                                  | (891)  | (2,593)  | (319)                  | (606)                 |                          |            | (4,409)   |
| Depreciation                               |  | (19,602) | (56,447)               | (24,887)              |                          | (1)        | (100,937) |
| Classified to assets held for sale         | (3,642)                                      | (1,059)  | 614                    |                       |                          |            | (4,087)   |
| Transfer                                   | 4,200  | (58)     | 5,471                  |                       | (5,624)                  |            | 3,989     |
| Foreign currencies translation adjustments | (674)  | (624)    | (665)                  | (545)                 | (274)                    |            | (2,782)   |
| Others                                     |  | (9)      | 1,212                  | 6,043                 |                          |            | 7,246     |
| Ending balance                             | 1,491,982                                    | 685,686  | 186,685                | 65,814                | 60,555                   | 3          | 2,490,725 |

## 16. INTANGIBLE ASSETS

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

|                  | September 30, 2018 |          |                            |                  |         |             |                          | Total     |
|------------------|--------------------|----------|----------------------------|------------------|---------|-------------|--------------------------|-----------|
|                  | Goodwill           | Software | Industrial property rights | Development cost | Others  | Memberships | Construction in progress |           |
| Acquisition cost | 150,350            | 208,878  | 1,213                      | 463,905          | 721,916 | 26,961      | 9,026                    | 1,582,249 |

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|                               |         |           |       |           |           |         |       |           |
|-------------------------------|---------|-----------|-------|-----------|-----------|---------|-------|-----------|
| Accumulated amortization      |         | (173,965) | (654) | (213,965) | (569,957) |         |       | (958,541) |
| Accumulated impairment losses |         |           |       |           | (137)     | (3,376) |       | (3,513)   |
| Net carrying value            | 150,350 | 34,913    | 559   | 249,940   | 151,822   | 23,585  | 9,026 | 620,195   |

December 31, 2017

|                               | Goodwill | Software  | Industrial property rights | Development cost | Others    | Membership deposit | Construction in progress | Total     |
|-------------------------------|----------|-----------|----------------------------|------------------|-----------|--------------------|--------------------------|-----------|
| Acquisition cost              | 108,707  | 203,418   | 1,063                      | 260,087          | 634,150   | 27,337             | 153,209                  | 1,387,971 |
| Accumulated amortization      |          | (162,746) | (524)                      | (182,846)        | (516,467) |                    |                          | (862,583) |
| Accumulated impairment losses |          |           |                            |                  | (137)     | (6,652)            |                          | (6,789)   |
| Net carrying value            | 108,707  | 40,672    | 539                        | 77,241           | 117,546   | 20,685             | 153,209                  | 518,599   |

(2) Details of changes in intangible assets are as follows (Unit: Korean Won in millions):

|   | For the nine months ended September 30, 2018 |          |                            |                  |          |                    |                          | Total    |
|---|--|----------|----------------------------|------------------|----------|--------------------|--------------------------|----------|
|   | Goodwill                                     | Software | Industrial property rights | Development cost | Others   | Membership deposit | Construction in progress |          |
| Beginning balance                         | 108,707                                      | 40,672   | 539                        | 77,241           | 117,546  | 20,685             | 153,209                  | 518,599  |
| Acquisitions                              |  | 4,982    | 150                        | 27,019           | 39,070   | 5,117              | 82,960                   | 159,298  |
| Disposal                                  |  |          |                            |                  |          | (2,937)            |                          | (2,937)  |
| Amortization (*)                          |  | (11,027) | (130)                      | (31,111)         | (53,885) |                    |                          | (96,153) |
| Reversal of impairment loss               |  |          |                            |                  |          | 725                |                          | 725      |
| Transfer                                  |  |          |                            | 176,791          | 50,352   |                    | (227,143)                |          |
| Acquisition through business combination  | 46,752                                       | 763      |                            |                  |          |                    |                          | 47,515   |
| Foreign currencies translation adjustment | (5,109)                                      | (477)    |                            |                  | (637)    | (5)                |                          | (6,228)  |
| Others                                    |  |          |                            |                  | (624)    |                    |                          | (624)    |
| Ending balance                            | 150,350                                      | 34,913   | 559                        | 249,940          | 151,822  | 23,585             | 9,026                    | 620,195  |

(\*) Amortization of other intangible assets amounting to 38,483 million Won is included in other operating expenses.

|   | For the nine months ended September 30, 2017 |          |                            |                  |          |                    |                          | Total    |
|---|--|----------|----------------------------|------------------|----------|--------------------|--------------------------|----------|
|   | Goodwill                                     | Software | Industrial property rights | Development cost | Others   | Membership deposit | Construction in progress |          |
| Beginning balance                         | 124,803                                      | 35,477   | 313                        | 70,697           | 164,364  | 20,086             | 67,999                   | 483,739  |
| Acquisitions                              | 105  | 9,351    | 170                        | 21,735           | 17,824   | 560                | 80,316                   | 130,061  |
| Disposal                                  |  |          |                            |                  | (38)     | (866)              |                          | (904)    |
| Amortization (*)                          |  | (12,212) | (87)                       | (17,326)         | (45,539) |                    |                          | (75,164) |
| Impairment loss                           |  |          |                            |                  |          | (181)              |                          | (181)    |
| Transfer                                  |  | 8,072    |                            |                  | 36       |                    | (8,108)                  |          |
| Foreign currencies translation adjustment | (8,364)                                      | (99)     |                            |                  | (968)    | (33)               | (402)                    | (9,866)  |
| Others                                    |  | 3,521    |                            | (55)             | (6,232)  | (5)                |                          | (2,771)  |
| Ending balance                            | 116,544                                      | 44,110   | 396                        | 75,051           | 129,447  | 19,561             | 139,805                  | 524,914  |

(\*)

Amortization of other intangible assets amounting to 36,419 million Won is included in other operating expenses.

**17. ASSETS HELD FOR SALE**

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

|  | September 30, 2018 | December 31, 2017 |
|--|--------------------|-------------------|
| Investments in joint ventures and associates |                    | 46,217            |
| Premises and equipment, etc. (*)             | 6,765              | 2,407             |
| <b>Total</b>                                 | <b>6,765</b>       | <b>48,624</b>     |

(\*) As of September 30, 2018 and December 31, 2017, non-operating assets of the subsidiaries include land and buildings classified as assets held for sale amounting to 4,450 million Won and 840 million Won, respectively.

**18. ASSETS SUBJECT TO LIEN AND ASSETS ACQUIRED THROUGH FORECLOSURES**

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

|   |   | September 30, 2018                                 |           |  |
|---|---|--|-----------|--|
|   |   | Collateral given to                                | Amount    | Reason for collateral                                  |
| Loan at amortized cost and other financial assets | Due from banks on time in local currency        | DaishinAMC and others                              | 1,500     | Right of pledge  |
|   | Due from banks in local currencies              | Samsung Securities Co., Ltd. and others            | 19,151    | Margin deposit for futures or option                   |
|   | Due from banks in foreign currencies            | Korea Investment & Securities Co., Ltd. and others | 127,478   | Foreign margin deposit for future or option and others |
| Financial assets at FVTOCI                        | Korean treasury and government bonds and others | The BOK and others                                 | 1,984,057 | Settlement risk and others                             |
| Securities at amortized cost                      | Korean treasury and government bonds            | Korea Securities Depository                        | 5,548     | Related to bonds sold under repurchase agreements (*)  |
|   | Korean treasury and government bonds and others | The BOK and others                                 | 5,324,952 | Settlement risk and others                             |
| Premises and equipment                            | Land and building                               | Credit Counselling & Recovery Service and others   | 6,064     | Right to collateral and others                         |
|   |   | Total  | 7,468,750 |  |

(\*) The Group has the agreements to repurchase the sold assets at the predetermined price or the price that includes the rate of return and to provide the guarantee on the assets. The transferee has the right to sell or to provide as guarantee. Therefore, the Group does not derecognize the assets, but recognizes the relevant amounts as liability (bonds sold under repurchase agreements).

|                           |  | December 31, 2017                                  |         |  |
|---------------------------|--|--|---------|--|
|                           |  | Collateral given to                                | Amount  | Reason for collateral                                  |
| Loan and receivables      | Due from banks on time in local currency | Bank of China and others                           | 6,629   | Collaterals for issuing letter of guarantee and others |
|                           | Due from banks in local currencies       | Samsung Securities Co., Ltd. and others            | 10,809  | Margin deposit for futures or option                   |
|                           | Due from banks in foreign currencies     | Korea Investment & Securities Co., Ltd. and others | 9,136   | Foreign margin deposit for future or option and others |
| Financial assets at FVTPL | Korean financial institutions debt       | Yuanta Securities Co., Ltd. and others             | 501,523 | Substitute securities and others                       |

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|                        |  |  |           |   |
|------------------------|--|--|-----------|---|
|                        | securities and others                                    |  |           |   |
| AFS financial assets   | Korean treasury and corporate bonds                      | Korea Securities Depository and others           | 9,998     | Related to bonds sold under repurchase agreements (*) |
|                        | Korean treasury and government bonds and others          | The BOK and others                               | 1,570,608 | Settlement risk and others                            |
| HTM financial assets   | Korean treasury and government bonds                     | Korea Securities Depository                      | 5,436     | Related to bonds sold under repurchase agreements (*) |
|                        | Korean financial institutions debt securities and others | The BOK and others                               | 7,605,292 | Settlement risk and others                            |
| Premises and equipment | Land and building  | Credit Counselling & Recovery Service and others | 6,186     | Leasehold rights and others                           |
|                        |  | Total  | 9,725,617 |   |

(\*) The Group has the agreements to repurchase the sold assets at the predetermined price or the price that includes the rate of return and to provide the guarantee on the assets. The transferee has the right to sell or to provide as guarantee. Therefore, the Group does not derecognize the assets, but recognizes the relevant amounts as liability (bonds sold under repurchase agreements).

- (2) There are no the carrying amounts of assets acquired through foreclosure as of September 30, 2018 and the carrying amounts of assets acquired through foreclosure of December 31, 2017 are as follows. (Unit: Korean Won in millions):

|              | December 31, 2017 |
|--------------|-------------------|
| Land         | 332               |
| Buildings    | 44                |
| <b>Total</b> | <b>376</b>        |

- (3) Securities loaned are as follows (Unit: Korean Won in millions):

|                            |  | September 30,<br>2018 | December 31,<br>2017 | Loaned to  |
|----------------------------|--|-----------------------|----------------------|--|
| Financial assets at FVTOCI | Korean treasury,<br>government bonds and<br>others | 70,210                |                      | Korea Securities Finance<br>Corporation            |
| AFS financial assets       | Korean treasury,<br>government bonds and<br>others |                       | 170,256              | Korea Securities Finance<br>Corporation and others |
| <b>Total</b>               |  | <b>70,210</b>         | <b>170,256</b>       |  |

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

- (4) Collaterals held that can be disposed and re-subjected to lien regardless of defaults of counterparties  
Fair values of collaterals held that can be disposed and re-subjected to lien regardless of defaults of counterparties as of September 30, 2018 and December 31, 2017 are as follows (Unit: Korean Won in millions):

|            | September 30, 2018  |
|------------|---|
|            | Fair values of collaterals were                             |
|            | Fair values of collaterals disposed or re-subjected to lien |
| Securities | 5,084,088   |

|            | December 31, 2017   |
|------------|---|
|            | Fair values of collaterals were                             |
|            | Fair values of collaterals disposed or re-subjected to lien |
| Securities | 17,671,490  |

**19. OTHER ASSETS**

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

|                      | September 30, 2018 | December 31, 2017 |
|----------------------|--------------------|-------------------|
| Prepaid expenses     | 223,051            | 130,245           |
| Advance payments     | 10,920             | 18,363            |
| Non-operative assets |                    | 376               |
| Others               | 10,975             | 9,420             |
| Total                | 244,946            | 158,404           |



**20. FINANCIAL LIABILITIES AT FVTPL**

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

|   | September 30, 2018 | December 31, 2017 |
|---|--------------------|-------------------|
| Financial liabilities at fair value through profit or loss mandatorily measured at fair value     | 2,034,509          |                   |
| Financial liabilities held for trading  |                    | 3,176,113         |
| Financial liabilities at fair value through profit or loss designated as upon initial recognition | 187,533            |                   |
| Financial liabilities designated as at FVTPL  |                    | 251,796           |
| <b>Total</b>  | <b>2,222,042</b>   | <b>3,427,909</b>  |

(2) Financial liabilities at fair value through profit or loss mandatorily measured at fair value (Financial liabilities held for trading) are as follows (Unit: Korean Won in millions):

|                          | September 30, 2018 | December 31, 2017 |
|--------------------------|--------------------|-------------------|
| Deposits                 |                    |                   |
| Gold banking liabilities | 27,266             | 25,964            |
| Derivative liabilities   | 2,007,243          | 3,150,149         |
| <b>Total</b>             | <b>2,034,509</b>   | <b>3,176,113</b>  |

(3) Financial liabilities at fair value through profit or loss designated as upon initial recognition (Financial liabilities designated as at FVTPL) are as follows (Unit: Korean Won in millions):

|  | September 30, 2018 | December 31, 2017 |
|--|--------------------|-------------------|
| Equity-linked securities index                   |                    |                   |
| Equity-linked securities index in short position | 187,533            | 160,057           |
| Debentures                                       |                    |                   |
| Debentures in local currency                     |                    | 91,739            |
| <b>Total</b>                                     | <b>187,533</b>     | <b>251,796</b>    |

Financial liabilities at fair value through profit or loss designated as upon initial recognition are designated in order to eliminate or significantly reduce accounting mismatch arising from recognition or measurement.

(4)

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Accumulated changes in credit risk adjustments to financial liabilities at fair value through profit or loss designated as upon initial recognition are as follows (Unit: Korean Won in millions):

September 30, 2018

Accumulated changes in credit risk adjustments (60)

The adjustment to reflect Group's credit risk is considered in measuring the fair value of equity-linked securities index and debentures. The Group's credit risk is determined by adjusting credit spread observed in credit rating of Group.

- (5) The difference between financial liabilities at fair value through profit or loss designated as upon initial recognition's (Financial liabilities designated as at FVTPL) carrying amount and nominal amount at maturity are as follows (Unit: Korean Won in millions):

|                            | September 30, 2018 | December 31, 2017 |
|----------------------------|--------------------|-------------------|
| Carrying amount            | 187,533            | 251,796           |
| Nominal amount at maturity | 219,154            | 255,408           |
| Difference                 | (31,621)           | (3,612)           |

- (6) Changes in equity in relation to financial liabilities at fair value through profit or loss designated as upon initial recognition
- 1) Realized cumulative gain or loss designated in other comprehensive income due to derecognition of financial liabilities at fair value through profit or loss designated as upon initial recognition is nil for the nine months ended September 30, 2018.
  - 2) Cumulative gains on financial liabilities at fair value through profit or loss designated as upon initial recognition replaced to retained earnings from other comprehensive income are as follows (Unit: Korean Won in millions):

|                                 |  |
|---------------------------------|--|
|                                 | For the nine months ended September 30, 2018 |
| Equity-linked securities index: | (5)  |

## 21. DEPOSITS DUE TO CUSTOMERS

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

|                                | September 30, 2018 | December 31, 2017  |
|--------------------------------|--------------------|--------------------|
| Deposits in local currency:    |                    |                    |
| Deposits on demand             | 8,617,162          | 9,349,070          |
| Deposits at termination        | 197,915,725        | 194,292,679        |
| Mutual installment             | 31,475             | 34,055             |
| Deposits on notes payables     | 1,743,588          | 1,323,679          |
| Deposits on CMA                | 144,652            | 164,431            |
| Certificate of deposits        | 4,631,356          | 4,436,443          |
| Other deposits                 | 1,401,241          | 1,451,841          |
| <b>Sub-total</b>               | <b>214,485,199</b> | <b>211,052,198</b> |
| Deposits in foreign currency:  |                    |                    |
| Deposits in foreign currencies | 22,934,149         | 23,682,896         |
| Present value discount         | (60,289)           | (40,010)           |
| <b>Total</b>                   | <b>237,359,059</b> | <b>234,695,084</b> |

## 22. BORROWINGS AND DEBENTURES

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

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|   |  | September 30, 2018 |                   |            |
|---|--|--------------------|-------------------|------------|
|   |  | Lenders            | Interest rate (%) | Amount     |
| Borrowings in local currency:             |  |                    |                   |            |
| Borrowings from The BOK                   | The BOK  |                    | 0.5 ~ 0.8         | 1,454,339  |
| Borrowings from government funds          | Small Enterprise And Market Service and others |                    | 0.0 ~ 3.5         | 1,814,404  |
| Others                                    | The Korea Development Bank and others          |                    | 0.0 ~ 3.8         | 4,860,081  |
| Sub-total                                 |  |                    |                   | 8,128,824  |
| Borrowings in foreign currencies:         |  |                    |                   |            |
| Borrowings in foreign currencies          | The Export-Import Bank of Korea and others     |                    | 0.0 ~ 6.8         | 6,890,314  |
| Offshore borrowings in foreign currencies | JPMORGAN CHASE BANK                            |                    | 2.8               | 33,381     |
| Sub-total                                 |  |                    |                   | 6,923,695  |
| Bills sold                                | Others   |                    | 0.7 ~ 1.2         | 22,010     |
| Call money                                | Bank and others                                |                    | 0.2 ~ 6.5         | 784,657    |
| Bonds sold under repurchase agreements    | Other financial institutions                   |                    | 0.8 ~ 12.7        | 3,348      |
| Present value discount                    |  |                    |                   | (57)       |
| Total                                     |  |                    |                   | 15,862,477 |

|   |  | December 31, 2017 |                   |            |
|---|--|-------------------|-------------------|------------|
|   |  | Lenders           | Interest rate (%) | Amount     |
| Borrowings in local currency:             |  |                   |                   |            |
| Borrowings from The BOK                   | The BOK  |                   | 0.5 ~ 0.8         | 1,404,087  |
| Borrowings from government funds          | Small Enterprise And Market Service and others |                   | 0.0 ~ 2.9         | 1,723,340  |
| Others                                    | The Korea Development Bank and others          |                   | 0.0 ~ 3.2         | 3,957,421  |
| Sub-total                                 |  |                   |                   | 7,084,848  |
| Borrowings in foreign currencies:         |  |                   |                   |            |
| Borrowings in foreign currencies          | The Export-Import Bank of Korea and others     |                   | 0.0 ~ 6.8         | 6,996,551  |
| Offshore borrowings in foreign currencies | Commonwealth Bank                              |                   | 1.8               | 28,285     |
| Sub-total                                 |  |                   |                   | 7,024,836  |
| Bills sold                                | Others   |                   | 0.0 ~ 1.2         | 36,953     |
| Call money                                | Bank and others                                |                   | 1.5 ~ 2.7         | 635,061    |
| Bonds sold under repurchase agreements    | Other financial institutions                   |                   | 0.6 ~ 12.7        | 3,173      |
| Present value discount                    |  |                   |                   | (165)      |
| Total                                     |  |                   |                   | 14,784,706 |

(2) Details of debentures are as follows (Unit: Korean Won in millions):

|                         | September 30, 2018 |            | December 31, 2017 |            |
|-------------------------|--------------------|------------|-------------------|------------|
|                         | Interest rate (%)  | Amount     | Interest rate (%) | Amount     |
| Face value of bond (*): |                    |            |                   |            |
| Ordinary bonds          | 1.5 ~ 4.5          | 22,156,256 | 1.5 ~ 5.8         | 22,468,908 |
| Subordinated bonds      | 3.0 ~ 12.6         | 5,309,423  | 3.4 ~ 12.6        | 4,781,301  |
| Other bonds             | 1.9 ~ 17.0         | 670,752    | 1.6 ~ 17.0        | 649,615    |
| Sub-total               |                    | 28,136,431 | 27,899,824        |            |
| Discounts on bonds      |                    | (33,752)   | (30,173)          |            |
| Total                   |                    | 28,102,679 | 27,869,651        |            |

(\*) Included debentures under fair value hedge relationships are 3,439,515 million Won and 3,089,751 million Won as of September 30, 2018 and December 31, 2017, respectively. Also, debentures under cash flow

hedge amounting to 719,101 million Won and 694,548 million Won are included as of September 30, 2018 and December 31, 2017.

### 23. PROVISIONS

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

|  | September 30, 2018 | December 31, 2017 |
|--|--------------------|-------------------|
| Asset retirement obligation            | 67,197             | 61,872            |
| Provisions for guarantees (*1)         | 80,724             | 183,247           |
| Provisions for unused commitments      | 119,143            | 66,115            |
| Provisions for customer reward credits | 51,950             | 40,445            |
| Other provisions (*2)                  | 66,329             | 58,791            |
| Total                                  | 385,343            | 410,470           |

(\*1) Provisions for guarantees include provision for financial guarantee of 43,708 million Won and 71,697 million Won as of September 30, 2018 and December 31, 2017, respectively, and remaining balances are for non-financial guarantee.

(\*2) Other provisions consist of provision for litigation and others.

(2) Changes in provisions for guarantees and loan commitments are as follows (Unit: Korean Won in millions):

1) Provisions for guarantees

|   | For the nine months ended September 30, 2018 |          |          |           |
|---|--|----------|----------|-----------|
|   | Stage 1                                      | Stage 2  | Stage 3  | Total     |
| Beginning balance (*)                                     | 47,132                                       | 18,281   | 127,511  | 192,924   |
| Transferred to 12-month expected credit loss              | 99   | (99)     |          |           |
| Transferred to expected credit loss for the entire period | (922)  | 91,944   | (91,022) |           |
| Transferred to credit-impaired financial assets           | (18)   | (29)     | 47       |           |
| Provisions used   | (15,772)                                     |          |          | (15,772)  |
| Net reversal of unused amount                             | (4,886)                                      | (83,320) | (22,423) | (110,629) |
| Others  | 14,203                                       | (2)      |          | 14,201    |
| Ending balance  | 39,836                                       | 26,775   | 14,113   | 80,724    |

(\*) The beginning balance was restated in accordance with IFRS 9.

|  | For the nine months ended<br>September 30, 2017 |
|--|---|
| Beginning balance                          | 238,117   |
| Provisions                                 | 1,773   |
| Payments                                   | (17,260)  |
| Reversal of provisions                     | (48,964)  |
| Foreign currencies translation adjustments | 53  |
| Others                                     | 19,571  |
| Ending balance                             | 193,290   |

2) Provisions for unused commitment

|   | For the nine months ended September 30, 2018 |         |         |         |
|---|--|---------|---------|---------|
|   | Stage 1                                      | Stage 2 | Stage 3 | Total   |
| Beginning balance (*)                                     | 75,232                                       | 27,875  | 1,878   | 104,985 |
| Transferred to 12-month expected credit loss              | 7,605  | (7,232) | (373)   |         |
| Transferred to expected credit loss for the entire period | (2,565)                                      | 2,738   | (173)   |         |
| Transferred to credit-impaired financial assets           | (187)  | (280)   | 467     |         |
| Net provision (reversal) of unused amount                 | (6,259)                                      | 20,655  | (260)   | 14,136  |
| Others  | 22   |         |         | 22      |
| Ending balance  | 73,848                                       | 43,756  | 1,539   | 119,143 |

(\*) The beginning balance was restated in accordance with IFRS 9.

|  | For the nine months ended<br>September 30, 2017 |
|--|---|
| Beginning balance                          | 87,909  |
| Provisions                                 | 2,043   |
| Payments                                   | (35)  |
| Reversal of provisions                     | (4,671)   |
| Foreign currencies translation adjustments | 14  |
| Ending balance                             | 85,260  |



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

|  | For the nine months ended September 30 |        |
|--|--|--------|
|  | 2018                                   | 2017   |
| Beginning balance                        | 61,872                                 | 58,076 |
| Provisions                               | 1,309                                  | 1,479  |
| Payments                                 | (767)                                  | (987)  |
| Reversal of provisions                   | (1,036)                                | (732)  |
| Amortization                             | 413                                    | 313    |
| Increase in restoration costs and others | 5,406                                  | 3,610  |
| Ending balance                           | 67,197                                 | 61,759 |

The amount of the asset retirement obligation is the present value of the best estimate of future expected expenditure to settle the obligation arising from leased premises as of September 30, 2018, discounted by appropriate discount rate. The restoration cost is expected to occur by the end of each premise's lease period, and the Group has used average lease period of each category of leases terminated during the past years in order to rationally estimate the lease period. In addition, the Group used average amount of actual recovery cost for the past 3 years and the average inflation rate for last year in order to estimate future recovery cost.

(4) Changes in other provisions are as follows (Unit: Korean Won in millions):

|  | For the nine months ended September 30, 2018 |                     |          |
|--|--|---------------------|----------|
|  | Provisions for<br>customer reward<br>credits | Other<br>provisions | Total    |
| Beginning balance                          | 40,445                                       | 58,791              | 99,236   |
| Provisions                                 | 52,591                                       | 9,217               | 61,808   |
| Payments                                   | (75,792)                                     | (7,521)             | (83,313) |
| Reversal of provisions                     |  | (33)                | (33)     |
| Foreign currencies translation adjustments |  | (20)                | (20)     |
| Transfer (*)                               | 21,018                                       |                     | 21,018   |
| Others                                     | 13,688                                       | 5,895               | 19,583   |
| Ending balance                             | 51,950                                       | 66,329              | 118,279  |

(\*) As the credits of the affiliates were transferred to the Group, the allowance for the provisions for customer reward credits increased for the nine months ended September 30, 2018.

|  | For the nine months ended September 30, 2017 |                     |       |
|--|--|---------------------|-------|
|  | Provisions for<br>customer reward<br>credits | Other<br>provisions | Total |

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|  |          |         |          |
|--|----------|---------|----------|
| Beginning balance                          | 22,093   | 22,282  | 44,375   |
| Provisions                                 | 46,713   | 3,970   | 50,683   |
| Payments                                   | (65,228) | (7,136) | (72,364) |
| Reversal of provisions                     |          | (57)    | (57)     |
| Foreign currencies translation adjustments |          | (153)   | (153)    |
| Transfer (*)                               | 17,507   |         | 17,507   |
| Others                                     | 18,701   | 2,184   | 20,885   |
| Ending balance                             | 39,786   | 21,090  | 60,876   |

(\*) As the credits of the affiliates were transferred to the Group, the allowance for the provisions for customer reward credits increased for the nine months ended September 30, 2017.

**24. NET DEFINED BENEFIT LIABILITY**

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

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

The Group is exposed to various risks through defined benefit retirement pension plan, and the most significant risks are as follows:

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

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

|   | September 30, 2018 | December 31, 2017 |
|---|--------------------|-------------------|
| Present value of defined benefit obligation | 1,191,529          | 1,071,170         |
| Fair value of plan assets                   | (1,079,009)        | (1,027,906)       |
| Net defined benefit liability               | 112,520            | 43,264            |

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

|                      | For the nine months ended September 30, 2018 | For the nine months ended September 30, 2017 |
|----------------------|--|--|
| Beginning balance    | 1,071,170                                    | 984,381                                      |
| Current service cost | 108,652                                      | 110,279                                      |
| Interest cost        | 23,760                                       | 19,709                                       |

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|  |           |           |
|--|-----------|-----------|
| Remeasurements                             | 46,260    | (29,030)  |
| Foreign currencies translation adjustments | (84)      | (124)     |
| Retirement benefit paid                    | (59,369)  | (33,563)  |
| Curtailment or settlement                  |           | (10,928)  |
| Others                                     | 1,140     | 259       |
| Ending balance                             | 1,191,529 | 1,040,983 |

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

|                           | For the nine months<br>ended September 30,<br>2018 | For the nine months<br>ended September 30,<br>2017 |
|---------------------------|--|--|
| Beginning balance         | 1,027,906  | 990,653  |
| Interest income           | 25,013   | 22,682   |
| Remeasurements            | (12,585)   | (11,301)   |
| Employer's contributions  | 96,273   | 18,000   |
| Retirement benefit paid   | (57,596)   | (31,611)   |
| Curtailment or settlement |  | (11,052)   |
| Others                    | (2)  | 43,113   |
| Ending balance            | 1,079,009  | 1,020,484  |

(4) Plan assets wholly consist of fixed deposits as of September 30, 2018 and December 31, 2017, respectively. Among plan assets, realized returns on plan assets amount to 12,428 million Won and 11,381 million Won for the nine months ended September 30, 2018 and 2017, respectively.

Meanwhile, the contribution expected to be paid in the current accounting year amounts to 125,818 million Won.

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

|   | For the nine months<br>ended September 30,<br>2018 | For the nine months<br>ended September 30,<br>2017 |
|---|--|--|
| Current service cost                          | 108,652  | 110,279  |
| Net interest income                           | (1,253)  | (2,973)  |
| Loss (gain) on the curtailment or settlement  |  | 124  |
| Cost recognized in net income                 | 107,399  | 107,430  |
| Remeasurements (*)                            | 58,845   | (17,729)   |
| Cost recognized in total comprehensive income | 166,244  | 89,701   |

(\*) This is an amount before considering the tax effects.

Retirement benefit service costs related to defined contribution plans amount to 1,943 million Won and 3,317 million Won for the nine months ended September 30, 2018 and 2017, respectively.

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

|                         | September 30, 2018                                    | December 31, 2017                                     |
|-------------------------|---|---|
| Discount rate           | 3.03%   | 3.18%   |
| Future wage growth rate | 6.18%   | 6.18%   |
| Mortality rate          | Issued by Korea Insurance<br>Development Institute    | Issued by Korea Insurance<br>Development Institute    |
| Retirement rate         | Experience rate for each<br>employment classification | Experience rate for each<br>employment classification |

The weighted average maturity of defined benefit liability is 12.91 years.

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

|                         |                      | September 30, 2018 | December 31, 2017 |
|-------------------------|----------------------|--------------------|-------------------|
| Discount rate           | Increase by 1% point | (102,653)          | (116,405)         |
|                         | Decrease by 1% point | 119,460            | 137,151           |
| Future wage growth rate | Increase by 1% point | 118,777            | 136,707           |
|                         | Decrease by 1% point | (104,000)          | (117,765)         |

## 25. OTHER FINANCIAL LIABILITIES AND OTHER LIABILITIES

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

|   | September 30, 2018 | December 31, 2017 |
|---|--------------------|-------------------|
| <b>Other financial liabilities:</b>       |                    |                   |
| Accounts payable                          | 8,513,360          | 4,692,320         |
| Accrued expenses                          | 1,997,133          | 2,049,861         |
| Borrowings from trust accounts            | 3,983,363          | 3,271,817         |
| Agency business revenue                   | 846,848            | 344,591           |
| Foreign exchange payables                 | 678,710            | 590,667           |
| Domestic exchange payables                | 5,707,855          | 1,309,646         |
| Other miscellaneous financial liabilities | 1,472,472          | 1,635,156         |
| Present value discount                    | (2,448)            | (1,597)           |
| Sub-total                                 | 23,197,293         | 13,892,461        |
| <b>Other liabilities:</b>                 |                    |                   |
| Unearned income                           | 178,096            | 180,664           |
| Other miscellaneous liabilities           | 154,059            | 103,317           |
| Sub-total                                 | 332,155            | 283,981           |
| <b>Total</b>                              | <b>23,529,448</b>  | <b>14,176,442</b> |

**26. DERIVATIVES**

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

|                       | September 30, 2018 |                      |                  |                     |                      |                  |
|-----------------------|--------------------|----------------------|------------------|---------------------|----------------------|------------------|
|                       | Nominal amount     | Assets               |                  |                     | Liabilities          |                  |
|                       |                    | For fair value hedge | For trading      | For cash flow hedge | For fair value hedge | For trading      |
| <b>Interest rate:</b> |                    |                      |                  |                     |                      |                  |
| Futures               | 92,637             |                      |                  |                     |                      |                  |
| Swaps                 | 149,663,241        | 13,716               | 219,611          |                     | 38,094               | 211,377          |
| Purchase options      | 580,000            |                      | 9,547            |                     |                      |                  |
| Written options       | 565,000            |                      |                  |                     |                      | 10,862           |
| <b>Currency:</b>      |                    |                      |                  |                     |                      |                  |
| Futures               | 528,844            |                      |                  |                     |                      |                  |
| Forwards              | 86,551,077         |                      | 761,780          |                     |                      | 817,625          |
| Swaps                 | 63,300,098         |                      | 794,912          | 36,013              |                      | 763,702          |
| Purchase options      | 2,184,281          |                      | 20,039           |                     |                      |                  |
| Written options       | 3,605,850          |                      |                  |                     |                      | 25,875           |
| <b>Equity:</b>        |                    |                      |                  |                     |                      |                  |
| Futures               | 304,270            |                      |                  |                     |                      |                  |
| Swaps                 | 364,847            |                      | 491              |                     |                      | 8,972            |
| Purchase options      | 5,567,550          |                      | 114,833          |                     |                      |                  |
| Written options       | 6,548,368          |                      |                  |                     |                      | 168,656          |
| <b>Others:</b>        |                    |                      |                  |                     |                      |                  |
| Futures               | 855                |                      |                  |                     |                      |                  |
| Swaps                 | 3,603              |                      | 186              |                     |                      | 174              |
| <b>Total</b>          | <b>319,860,521</b> | <b>13,716</b>        | <b>1,921,399</b> | <b>36,013</b>       | <b>38,094</b>        | <b>2,007,243</b> |

|                       | December 31, 2017 |                      |             |                     |                      |             |
|-----------------------|-------------------|----------------------|-------------|---------------------|----------------------|-------------|
|                       | Nominal amount    | Assets               |             |                     | Liabilities          |             |
|                       |                   | For fair value hedge | For trading | For cash flow hedge | For fair value hedge | For trading |
| <b>Interest rate:</b> |                   |                      |             |                     |                      |             |
| Futures               | 75,845            |                      |             |                     |                      |             |
| Swaps                 | 130,197,378       | 59,272               | 223,935     |                     | 12,103               | 253,972     |
| Purchase options      | 630,000           |                      | 12,346      |                     |                      |             |
| Written options       | 795,000           |                      |             |                     |                      | 12,869      |
| <b>Currency:</b>      |                   |                      |             |                     |                      |             |
| Futures               | 318,217           |                      |             |                     |                      |             |
| Forwards              | 72,526,956        |                      | 1,314,368   |                     |                      | 1,375,799   |



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|                  |             |        |           |        |        |           |
|------------------|-------------|--------|-----------|--------|--------|-----------|
| Swaps            | 48,176,306  |        | 1,352,924 | 55,651 |        | 1,347,905 |
| Purchase options | 2,291,154   |        | 64,267    |        |        |           |
| Written options  | 4,038,237   |        |           |        |        | 58,687    |
| Equity:          |             |        |           |        |        |           |
| Futures          | 91,436      |        |           |        |        |           |
| Swaps            | 15,000      |        | 103       |        |        | 10        |
| Purchase options | 5,060,706   |        | 146,775   |        |        |           |
| Written options  | 4,504,290   |        |           |        |        | 99,770    |
| Others:          |             |        |           |        |        |           |
| Futures          |             |        |           |        |        |           |
| Swaps            | 7,805       |        | 1,056     |        |        | 1,037     |
| Purchase options |             |        |           |        |        |           |
| Written options  | 5,000       |        |           |        |        | 100       |
| Total            | 268,733,330 | 59,272 | 3,115,774 | 55,651 | 12,103 | 3,150,149 |

Derivatives held for trading are classified into financial assets at FVTPL (Note 7) and financial liabilities at FVTPL (Note 20), and derivatives held for hedging are presented as a separate line item in the consolidated interim statements of financial position.

(2) Overview of the Group's hedge accounting

1) Fair value hedge

As of the current period end, the Group has applied fair value hedge on fixed interest rate foreign currency denominated debentures amounting to 3,439,515 million Won. The purpose of the hedging is to avoid fair value volatility risk of fixed interest rate foreign currency denominated debentures derived from fluctuations of market interest rate, and as such the Group entered into interest rate swap agreements designated as hedging instruments.

Pursuant to the interest rate swap agreement, by swapping the calculated difference between the fixed interest rate and floating interest rate applied to the nominal value, the fair value fluctuation risk is hedged as the foreign currency denominated debentures fixed interest rate terms are converted to floating interest rate. Pursuant to the interest rate swap agreement, hedge ratio is determined by matching the nominal value to the face value of the hedging instrument.

In this hedging relationship, only the market interest rate fluctuation, which is the most significant part of the fair value change of the hedged item, is designated as the hedged risk, and other risk factors including credit risk are not included in the hedged risk. Therefore, the ineffective portion of the hedge could arise from fluctuations in the timing of the cash flow of the hedged item, the change in the total amount and price of the hedged item, or significant credit risk fluctuation of either party of the hedging instrument.

The interest rate swap agreements and the hedged items are subject to fluctuations in the underlying market rate of interest and the Group expects the fair value of the interest rate swap contract and the value of the hedged item to generally change in the opposite direction.

The fair value of the interest rate swap at the end of the reporting period is determined by discounting future cash flows estimated using the yield curve at the end of the reporting period and the credit risk embedded in the contract and the average interest rate is determined based on the outstanding balance at the end of the reporting period. The variable interest rate applied to the interest rate swap is USD Libor 3M (6M) plus spread. In accordance with the terms of each interest rate swap contract designated as a hedging instrument, the Group receives interest at a fixed interest rate and pays interest at a variable interest rate.

2) Cash Flow Hedge

As of the current period end, the Group has applied Cash Flow hedge on foreign currency denominated bonds amounting to 719,101 million Won. The Group's objectives of hedging are to Mitigate risks of cash flow fluctuation from principal and interest of variable interest rate debentures denominated in foreign currency, which arise from changes in foreign exchange rate and market interest rate; and Mitigate the risks of cash flow fluctuation from principal and interest of fixed-interest rate debentures denominated in foreign currency, which arise from changes in foreign exchange rates. The Group has designated foreign currency swap contracts as hedging instruments in order to achieve such objectives.

(3) The nominal amounts of the hedging instrument as of September 30, 2018 are as follows (Unit: USD, SGD):

|  | 1 year or less | 1 year to 5 years | More than 5 years | Total         |
|--|----------------|-------------------|-------------------|---------------|
| Fair value hedge   |                |                   |                   |               |
| Interest rate risk   |                |                   |                   |               |
| Interest rate swap (USD)                                   | 500,000,000    | 1,350,000,000     | 1,300,000,000     | 3,150,000,000 |
| Cash flow hedge  |                |                   |                   |               |
| Foreign currencies translation risk and interest rate risk |                |                   |                   |               |
| Currency swap (USD)  | 50,000,000     | 450,000,000       |                   | 500,000,000   |
| Foreign currencies translation risk                        |                |                   |                   |               |
| Currency swap (SGD)  |                | 204,000,000       |                   | 204,000,000   |

(4) The average interest rate and average currency rate of the hedging instrument as of September 30, 2018 are as follows:

|  | Average interest rate and average currency rate        |
|--|--|
| Fair value hedge   |  |
| Interest rate risk   |  |
| Interest rate swaps (USD)                                  | Fixed 4.09% receipt and 4.07% floating paid            |
| Cash flow hedge  |  |
| Foreign currencies translation risk and interest rate risk |  |
| Currency swap (USD)  | USD 2.81% receipt, KRW 1.71% paid, USD/KRW = 1,173 Won |
| Foreign currencies translation risk                        |  |
| Currency swap (SGD)  | SGD 1.91% receipt, KRW 1.98% paid, SGD/KRW = 828 Won   |

(5) The amounts related to items designated as hedging instruments as of September 30, 2018 are as follows (Unit: USD, SGD and Korean Won in millions):

|                     | Nominal amounts of the hedging instrument | Carrying amounts of the hedging instrument |             | Line item in the statement of financial position where the hedging instrument is located | Changing in fair value used for calculating hedge ineffectiveness |
|---------------------|---|--|-------------|--|---|
|                     |   | Assets                                     | Liabilities |  |   |
| Fair value hedge    |   |  |             |  |   |
| Interest rate risk  |   |  |             |  |   |
| Interest rate swaps | USD3,150,000,000                          | 13,716                                     | 38,094      | Derivative assets<br>(Held for hedging)<br><br>Derivative liabilities                    | (77,215)  |

|  |                |                        |                    |                    |
|--|----------------|------------------------|--------------------|--------------------|
|  |                |                        |                    | (Held for hedging) |
| Cash flow hedge  |                |                        |                    |                    |
| Foreign currencies translation risk and interest rate risk |                |                        |                    |                    |
| Currency swap  |                | Derivative liabilities |                    |                    |
|  | USD500,000,000 | 30,140                 | (Held for hedging) | 19,291             |
| Foreign currencies translation risk                        |                |                        |                    |                    |
| Currency swap  |                | Derivative liabilities |                    |                    |
|  | SGD204,000,000 | 5,872                  | (Held for hedging) | 590                |

- (6) Details of carrying amount to hedged and amount adjusted due to hedge accounting as of September 30, 2018 are as follows (Unit: Korean won in millions):

|  | Carrying amounts of the hedging item |             | Carrying amount of the hedged item |             | the hedged item is included | Changing in fair value used for calculating hedge ineffectiveness | Cash flow hedge reserve (*) |
|--|--------------------------------------|-------------|------------------------------------|-------------|-----------------------------|---|-----------------------------|
|  | Assets                               | Liabilities | Assets                             | Liabilities |                             |   |                             |
| Fair value hedge   |                                      |             |                                    |             |                             |   |                             |
| Interest rate risk   |                                      |             |                                    |             |                             |   |                             |
| Debenture  |                                      | 3,439,515   |                                    | 13,405      | Debentures                  | 83,431  |                             |
| Cash flow hedge  |                                      |             |                                    |             |                             |   |                             |
| Foreign currencies translation risk and interest rate risk |                                      |             |                                    |             |                             |   |                             |
| Debenture  |                                      | 554,121     |                                    |             | Debentures                  | (23,968)  | 196                         |
| Foreign currencies translation risk                        |                                      |             |                                    |             |                             |   |                             |
| Debenture  |                                      | 164,980     |                                    |             | Debentures                  | (1,307)   | (2,929)                     |

(\*) Amount after tax deduction

- (7) Amounts recognized in profit or loss due to the ineffective portion of fair value hedges during the current period are as follows (Unit: Korean Won in millions):

|                                     | Hedge ineffectiveness recognized in profit or loss | Line item in the profit that includes hedge ineffectiveness |
|-------------------------------------|--|---|
| Fair value hedge Interest rate risk | 6,216  | Other net operating income                                  |

- (8) Reclassification of profit or loss from other comprehensive income and equity related to cash flow hedges is as follows (Unit: Korean Won in millions):

|  | Changes in the value of hedging instruments recognized in cash flow hedge reserve | Hedge ineffectiveness recognized in profit or loss | Changes in the value of foreign basis spread recognized in OCI | Line item in the profit or loss that includes hedge ineffectiveness | Amounts reclassified from cash flow hedge reserve to profit or loss | Line item affected in profit or loss because of the reclassification |
|--|---|--|--|---|---|--|
| Cash flow hedge Foreign currencies translation | 19,260  | 31   | 176  | Other net operating expense   | 20,566  | Other net operating income   |

|                                     |     |       |                            |                            |
|-------------------------------------|-----|-------|----------------------------|----------------------------|
| risk and interest rate risk         |     |       |                            |                            |
| Foreign currencies translation risk | 590 | (418) | Other net operating income | Other net operating income |
|                                     |     |       | 2,552                      |                            |

(9) The reserves of cash flow hedge are as follows (Unit: Korean Won in millions):

|  | September 30, 2018 |
|--|--------------------|
| Beginning balance  | 777                |
| Profit of hedge recognized in OCI                              | 19,608             |
| Fair value of hedging instruments                              | 19,850             |
| Changes in the value of foreign basis spread recognized in OCI | (242)              |
| Tax effect   |                    |
| Amounts of reclassification                                    | (23,118)           |
| Ending balance   | (2,733)            |

**27. DEFERRED DAY 1 PROFITS OR LOSSES**

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

|                              | For the nine months ended September 30 |         |
|------------------------------|--|---------|
|                              | 2018                                   | 2017    |
| Beginning balance            | 7,416                                  | 13,422  |
| New transactions             | 19,644                                 | 500     |
| Amounts recognized in losses | (3,749)                                | (5,271) |
| Ending balance               | 23,311                                 | 8,651   |

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

**28. CAPITAL STOCK AND CAPITAL SURPLUS**

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

|                                   | September 30, 2018    | December 31, 2017     |
|-----------------------------------|-----------------------|-----------------------|
| Shares of common stock authorized | 5,000,000,000 Shares  | 5,000,000,000 Shares  |
| Par value                         | 5,000 Won             | 5,000 Won             |
| Shares of common stock issued     | 676,000,000 Shares    | 676,000,000 Shares    |
| Capital stock                     | 3,381,392 million Won | 3,381,392 million Won |

(2) There is no change to be disclosed in numbers of issued and outstanding shares of common stock for the nine months ended September, 2018 and 2017.

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

|                                | September 30, 2018 | December 31, 2017 |
|--------------------------------|--------------------|-------------------|
| Capital in excess of par value | 269,533            | 269,533           |
| Other capital surplus          | 16,354             | 16,347            |
| Total                          | 285,887            | 285,880           |

**29. HYBRID SECURITIES**

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

|                                  | Issue date         | Maturity          | Interest rate |                    |                   |
|----------------------------------|--------------------|-------------------|---------------|--------------------|-------------------|
|                                  |                    |                   | (%)           | September 30, 2018 | December 31, 2017 |
| Securities in local currency     | June 20, 2008      | June 20, 2038     | 7.7           |                    | 255,000           |
|                                  | April 25, 2013     | April 25, 2043    | 4.4           | 500,000            | 500,000           |
|                                  | November 13, 2013  | November 13, 2043 | 5.7           | 200,000            | 200,000           |
|                                  | December 12, 2014  | December 12, 2044 | 5.2           | 160,000            | 160,000           |
|                                  | June 3, 2015       | June 3, 2045      | 4.4           | 240,000            | 240,000           |
|                                  | July 26, 2018      |                   | 4.4           | 400,000            |                   |
| Securities in foreign currencies | June 10, 2015      | June 10, 2045     | 5.0           | 559,650            | 559,650           |
|                                  | September 27, 2016 |                   | 4.5           | 553,450            | 553,450           |
|                                  | May 16, 2017       |                   | 5.3           | 562,700            | 562,700           |
| Issuance cost                    |                    |                   |               | (13,837)           | (12,912)          |
| <b>Total</b>                     |                    |                   |               | <b>3,161,963</b>   | <b>3,017,888</b>  |

The hybrid securities mentioned above are either without a maturity date or its maturity can be extended indefinitely at the maturity date without change of terms. Further, if a resolution is passed not to pay dividends on common stock, interest payments on the hybrid securities may be not occur.

**30. OTHER EQUITY**

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

|  | September 30, 2018 | December 31, 2017 |
|--|--------------------|-------------------|
| Accumulated other comprehensive loss:  |                    |                   |
| Net loss on valuation of financial assets at FVTOCI  | (54,995)           |                   |
| Gain on valuation of AFS financial assets  |                    | 301,930           |
| Gain on financial liabilities at fair value through profit or loss designated as upon initial recognition due to own credit risk | 44                 |                   |
| Share of other comprehensive gain (loss) of joint ventures and associates  | 1,020              | (1,251)           |
| Loss on foreign currency translation of foreign operations   | (264,267)          | (242,700)         |
| Remeasurement loss related to defined benefit plan   | (195,530)          | (152,624)         |
| Gain (loss) on valuation of derivatives designated as cash flow hedges   | (2,733)            | 777               |
| Equity related to non-current assets held for sale   |                    | 4,145             |
| <b>Sub-total</b>   | <b>(516,461)</b>   | <b>(89,723)</b>   |



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|                           |             |             |
|---------------------------|-------------|-------------|
| Treasury shares           | (34,113)    | (34,113)    |
| Other capital adjustments | (1,607,647) | (1,815,438) |
| Total                     | (2,158,221) | (1,939,274) |

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

|   | For the nine months ended September 30, 2018 |                              |                              |                   |                |
|---|--|------------------------------|------------------------------|-------------------|----------------|
|   | Beginning balance (*1)                       | Increase (decrease) (*2)(*3) | Reclassification adjustments | Income tax effect | Ending balance |
| Net gain (loss) on valuation of financial assets at FVTOCI  | (88,906)                                     | 51,429                       | 2,120                        | (19,638)          | (54,995)       |
| Gain (loss) on financial liabilities at fair value through profit or loss designated as upon initial recognition due to own credit risk | (96)   | 193                          |                              | (53)              | 44             |
| Share of other comprehensive gain (loss) of joint ventures and associates   | (2,656)                                      | 5,070                        |                              | (1,394)           | 1,020          |
| Gain (loss) on foreign currency translation of foreign operations   | (242,806)                                    | (29,601)                     |                              | 8,140             | (264,267)      |
| Remeasurement gain (loss) related to defined benefit plan   | (152,358)                                    | (59,547)                     |                              | 16,375            | (195,530)      |
| Gain (loss) on valuation of derivatives designated as cash flow hedges  | 777  | 27,045                       | (23,118)                     | (7,437)           | (2,733)        |
| Transfer to non-current assets held for sale  | 4,145  | (5,717)                      |                              | 1,572             |                |
| Total   | (481,900)                                    | (11,128)                     | (20,998)                     | (2,435)           | (516,461)      |

(\*1) The beginning balance was restated in accordance with IFRS 9.

(\*2) Net gain (loss) on valuation of financial assets at FVTOCI included the 279 million Won transfer to retained earnings due to disposal of equity securities.

(\*3) Gain (loss) on financial liabilities designated at fair value through profit or loss upon initial recognition due to own credit risk included the 5 million Won transfer to retained earnings due to redemption.

|   | For the nine months ended September 30, 2017 |                        |                                  |                   |                |
|---|--|------------------------|----------------------------------|-------------------|----------------|
|   | Beginning balance                            | Increase (decrease)(*) | Reclassification adjustments (*) | Income tax effect | Ending balance |
| Gain (loss) on valuation of AFS financial assets                            | 386,981                                      | 60,151                 | (122,975)                        | 11,344            | 335,501        |
| Share of other comprehensive income (loss) of joint ventures and associates | (1,863)                                      | 6,537                  |                                  | (1,620)           | 3,054          |
| Gain (loss) on foreign currency translation of foreign operations           | (48,353)                                     | (61,194)               |                                  | 12,688            | (96,859)       |
| Remeasurement gain (loss) related to defined benefit plan                   | (163,397)                                    | 17,504                 |                                  | (4,304)           | (150,197)      |
| Gain (loss) on valuation of cash flow hedges                                |  | (18,544)               | 16,899                           | 398               | (1,247)        |
| Total   | 173,368                                      | 4,454                  | (106,076)                        | 18,506            | 90,252         |

- (\*) For the change in gain (loss) on valuation of AFS financial assets, increase (decrease) represents change due to the valuation during the period, and reclassification adjustments represents disposal or recognition of impairment losses on AFS financial assets.

**31. RETAINED EARNINGS**

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

|  |   | September 30, 2018 | December 31, 2017 |
|--|---|--------------------|-------------------|
| Legal reserve  | Earned surplus reserve                      | 1,857,754          | 1,729,754         |
|  | Other legal reserve                         | 46,384             | 45,668            |
|  | Sub-total                                   | 1,904,138          | 1,775,422         |
| Voluntary reserve  | Business rationalization reserve            | 8,000              | 8,000             |
|  | Reserve for financial structure improvement | 235,400            | 235,400           |
|  | Additional reserve                          | 7,759,804          | 7,418,806         |
|  | Regulatory reserve for credit loss          | 2,578,457          | 2,438,191         |
|  | Revaluation reserve                         | 715,860            | 751,964           |
|  | Other voluntary reserve                     |                    | 11,700            |
|  | Sub-total                                   | 11,297,521         | 10,864,061        |
| Conversion of loss on disposal of equity securities at FVTOCI to retained earnings |   | (279)              |                   |
| Derecognition of the credit risk on financial liabilities designated at FVTPL      |   | 4                  |                   |
| Retained earnings before appropriation   |   | 3,830,611          | 2,980,523         |
| Total  |   | 17,031,995         | 15,620,006        |

i. Earned surplus reserve

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

ii. Other legal reserve

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

iii. Business rationalization reserve

Pursuant to the Restriction of Special Taxation Act, the Group was previously required to appropriate, as a reserve for business rationalization, amounts equal to tax reductions arising from tax exemptions and tax credits up to December 31, 2001. The requirement was no longer effective from 2002.

iv. Reserve for financial structure improvement

From 2002 to 2014, the Finance Supervisory Services recommended banks in Korea to appropriate at least 10 percent of net income after accumulated deficit for financial structure improvement, until tangible common equity ratio equals 5.5 percent. But this reserve is not available for payment of cash dividends; however, it can be used to reduce a deficit or be transferred to capital. The reserve and appropriation are an Autonomous judgment matter of the Group since 2015.

v. Additional reserve

Additional reserve was appropriated for capital adequacy and other management purpose.

vi. Regulatory reserve for credit loss

In accordance with paragraphs 1 and 2 of Article 29 of the Regulation on Supervision of Banking Business ( RSBB ), if provisions for credit loss under IFRS for the accounting purpose are lower than provisions under RSBB, the Bank limits such shortfall amount as regulatory reserve for credit loss.

## vii. Revaluation reserve

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

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

|   | For the nine months ended September 30 |            |
|---|--|------------|
|   | 2018 (*)                               | 2017       |
| Beginning balance   | 15,797,097                             | 14,611,566 |
| Net attributable to owners  | 1,903,406                              | 1,378,507  |
| Dividends on common stock   | (336,636)                              | (336,636)  |
| Dividends on hybrid securities  | (112,790)                              | (129,921)  |
| Loss on disposal of equity securities at FVTOCI                               | (279)                                  |            |
| Derecognition of the credit risk on financial liabilities designated at FVTPL | 4                                      |            |
| Capital adjustments due to appropriation of retained earnings                 | (218,807)                              |            |
| Ending balance  | 17,031,995                             | 15,523,516 |

(\*) The beginning balance as of 2018 was restated in accordance with IFRS 9.

**32. DIVIDENDS**

At the shareholders meeting on March 23, 2018, dividend payment for the year ended December 31, 2017 amounting to 336,636 million Won (500 Won per share) was approved and paid for the nine months ended September 30, 2018.

**33. NET INTEREST INCOME**

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

|                                     | 2018                            |                                | 2017                            |                                |
|-------------------------------------|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
|                                     | Three months ended September 30 | Nine months ended September 30 | Three months ended September 30 | Nine months ended September 30 |
| Financial assets at FVTPL (IFRS 9)  | 14,729                          | 43,266                         |                                 |                                |
| Financial assets at FVTPL (IAS 39)  |                                 |                                | 14,680                          | 41,486                         |
| Financial assets at FVTOCI          | 71,951                          | 191,397                        |                                 |                                |
| AFS financial assets                |                                 |                                | 67,021                          | 211,088                        |
| Securities at amortized cost        | 95,601                          | 264,390                        |                                 |                                |
| HTM financial assets                |                                 |                                | 77,349                          | 227,022                        |
| Financial assets at amortized cost: |                                 |                                |                                 |                                |
| Interest on due from banks          | 27,556                          | 89,017                         |                                 |                                |
| Interest on loans                   | 2,259,803                       | 6,511,300                      |                                 |                                |
| Interest of other receivables       | 7,134                           | 20,820                         |                                 |                                |
| <b>Sub-total</b>                    | <b>2,294,493</b>                | <b>6,621,137</b>               | <b>159,050</b>                  | <b>479,596</b>                 |
| Loans and receivables:              |                                 |                                |                                 |                                |
| Interest on due from banks          |                                 |                                | 21,869                          | 63,272                         |
| Interest on loans                   |                                 |                                | 1,999,561                       | 5,809,569                      |
| Interest of other receivables       |                                 |                                | 7,349                           | 24,976                         |
| <b>Sub-total</b>                    |                                 |                                | <b>2,028,449</b>                | <b>5,897,817</b>               |
| <b>Total</b>                        | <b>2,476,774</b>                | <b>7,120,190</b>               | <b>2,187,829</b>                | <b>6,377,413</b>               |

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

|                                       | 2018                            |                                | 2017                            |                                |
|---------------------------------------|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
|                                       | Three months ended September 30 | Nine months ended September 30 | Three months ended September 30 | Nine months ended September 30 |
| Interest on deposits due to customers | 748,318                         | 2,107,282                      | 596,923                         | 1,771,307                      |
| Interest on borrowings                | 89,040                          | 218,969                        | 59,575                          | 175,123                        |
| Interest on debentures                | 186,408                         | 533,356                        | 162,556                         | 468,360                        |

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|                        |           |           |         |           |
|------------------------|-----------|-----------|---------|-----------|
| Other interest expense | 20,333    | 63,434    | 17,219  | 60,747    |
| Total                  | 1,044,099 | 2,923,041 | 836,273 | 2,475,537 |



**34. NET FEES AND COMMISSIONS INCOME**

(1) Details of fees and commissions income recognized are as follows (Unit: Korean Won in millions):

|  | 2018                               |                                   | 2017                               |                                   |
|--|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
|  | Three months ended<br>September 30 | Nine months ended<br>September 30 | Three months ended<br>September 30 | Nine months ended<br>September 30 |
| Fees and commissions received (*)                        | 173,049                            | 519,974                           | 172,487                            | 508,809                           |
| Fees and commissions received for provision of guarantee | 17,129                             | 47,392                            | 16,538                             | 48,238                            |
| Fees and commissions received on project financing       | 2,360                              | 19,305                            | 5,466                              | 11,800                            |
| Fees and commissions received on credit card             | 281,705                            | 838,689                           | 270,229                            | 797,795                           |
| Fees and commissions received on securities              | 22,234                             | 72,472                            | 19,984                             | 60,251                            |
| Other fees and commissions received                      | 48,609                             | 160,260                           | 49,893                             | 121,597                           |
| <b>Total</b>   | <b>545,086</b>                     | <b>1,658,092</b>                  | <b>534,597</b>                     | <b>1,548,490</b>                  |

(\*) Fees and commissions received include fees income from agency commission, fees income from electronic finance, fees income related to loan, fees for import letter of credit dealing, commission received on foreign exchange and others.

(2) Details of fees and commissions expense incurred are as follows (Unit: Korean Won in millions):

|                           | 2018                               |                                   | 2017                               |                                   |
|---------------------------|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
|                           | Three months ended<br>September 30 | Nine months ended<br>September 30 | Three months ended<br>September 30 | Nine months ended<br>September 30 |
| Fees and commissions paid | 43,016                             | 123,882                           | 44,128                             | 117,295                           |
| Credit card commission    | 234,786                            | 659,990                           | 212,123                            | 612,472                           |
| Brokerage commission      | 411                                | 1,679                             | 214                                | 562                               |
| Others                    | 1,124                              | 4,137                             | 1,263                              | 3,592                             |
| <b>Total</b>              | <b>279,337</b>                     | <b>789,688</b>                    | <b>257,728</b>                     | <b>733,921</b>                    |

**35. DIVIDEND INCOME**

(1) Details of dividend income recognized are as follows (Unit: Korean Won in millions):

|                                    | 2018                               |                                   | 2017                               |                                   |
|------------------------------------|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
|                                    | Three months ended<br>September 30 | Nine months ended<br>September 30 | Three months ended<br>September 30 | Nine months ended<br>September 30 |
| Financial assets at FVTPL (IFRS 9) | 15,341                             | 47,329                            |                                    |                                   |
| Financial assets at FVTPL (IAS 39) |                                    |                                   | 23                                 | 213                               |
| Financial assets at FVTOCI         | 2,992                              | 20,708                            |                                    |                                   |
| AFS financial assets               |                                    |                                   | 48,819                             | 108,074                           |
| <b>Total</b>                       | <b>18,333</b>                      | <b>68,037</b>                     | <b>48,842</b>                      | <b>108,287</b>                    |

(2) Details of dividends related to financial assets at FVTOCI are as follows (Unit: Korean Won in millions):

|   | Nine month ended<br>September 30, 2018 |
|---|--|
| Dividend income recognized from assets held       |  |
| Equity securities                                 | 20,434                                 |
| Dividend income recognized in assets derecognized | 274                                    |
| <b>Total</b>                                      | <b>20,708</b>                          |

**36. NET GAIN OR LOSS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS MANDATORILY MEASURED AT FAIR VALUE (IFRS 9 AND IAS 39)**

(1) Details of gain or loss related to net gain or loss on financial instruments at FVTPL (IFRS 9 and IAS 39) are as follows (Unit: Korean Won in millions):

|  | 2018                               |                                   | 2017                               |                                   |
|--|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
|  | Three months ended<br>September 30 | Nine months ended<br>September 30 | Three months ended<br>September 30 | Nine months ended<br>September 30 |
| Gain (loss) on financial instruments at fair value through profit or loss mandatorily measured at fair value | (17,905)                           | 96,241                            |                                    |                                   |
| Gain on financial instruments held for trading   |                                    |                                   | 67,214                             | 7,028                             |
|  | (6,532)                            | (3,655)                           |                                    |                                   |

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|  |          |        |          |           |
|--|----------|--------|----------|-----------|
| Loss on financial instrument at fair value through profit or loss designated as upon initial recognition |          |        |          |           |
| Loss on financial instruments designated as at fair value through profit or loss                         |          |        | (18,441) | (104,664) |
| <b>Total</b>   | (24,437) | 92,586 | 48,773   | (97,636)  |

- (2) Details of net gain or loss on financial instrument at fair value through profit or loss mandatorily measured at fair value and financial instruments held for trading are as follows (Unit: Korean Won in millions):

|   |  |                                    | 2018               |                   | 2017               |                   |
|---|--|------------------------------------|--------------------|-------------------|--------------------|-------------------|
|   |  |                                    | Three months ended | Nine months ended | Three months ended | Nine months ended |
|   |  |                                    | September 30       | September 30      | September 30       | September 30      |
| Financial assets at FVTPL (financial assets held for trading) | Securities                                 | Gain on valuation                  | 15,809             | 97,670            | (2,220)            | 3,675             |
|   |  | Gain on disposals                  | 13,677             | 36,054            | 6,954              | 16,814            |
|   |  | Loss on valuation                  | 3,745              | (20,050)          | (1,498)            | (8,009)           |
|   |  | Loss on disposals                  | (11,034)           | (20,214)          | (1,543)            | (3,600)           |
|   |  | Sub-total                          | 22,197             | 93,460            | 1,693              | 8,880             |
|   | Loans                                      | Gain on valuation                  | 1,129              | 4,193             |                    |                   |
|   |  | Loss on disposal                   | (117)              | (117)             |                    |                   |
|   |  | Sub-total                          | 1,012              | 4,076             |                    |                   |
|   | Other financial assets                     | Gain on valuation                  | 46                 | 2,015             | 1,742              | 4,813             |
|   |  | Gain on disposals                  | 26                 | 431               | 954                | 1,887             |
|   |  | Loss on valuation                  | (7)                | (2,200)           | (2,243)            | (5,833)           |
|   |  | Loss on disposals                  |                    | (83)              | (317)              | (551)             |
|   |  | Sub-total                          | 65                 | 163               | 136                | 316               |
|   | Total of financial assets held for trading |                                    | 23,274             | 97,699            | 1,829              | 9,196             |
| Derivatives (for trading)                                     | Interest rates derivatives                 | Gain on transactions and valuation | 340,234            | 940,596           | 242,785            | 676,134           |
|   |  | Loss on transactions and valuation | (322,925)          | (917,450)         | (236,425)          | (658,159)         |
|   |  | Sub-total                          | 17,309             | 23,146            | 6,360              | 17,975            |
|   | Currency derivatives                       | Gain on transactions and valuation | 311,003            | 3,846,109         | 821,443            | 4,595,008         |
|   |  | Loss on transactions and valuation | (379,380)          | (3,885,270)       | (774,537)          | (4,718,146)       |
|   |  | Sub-total                          | (68,377)           | (39,161)          | 46,906             | (123,138)         |

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|                                    |                                    |          |           |          |           |
|------------------------------------|------------------------------------|----------|-----------|----------|-----------|
| Equity derivatives                 | Gain on transactions and valuation | 75,481   | 324,845   | 95,483   | 398,410   |
|                                    | Loss on transactions and valuation | (65,331) | (309,394) | (83,339) | (294,890) |
|                                    | Sub-total                          | 10,150   | 15,451    | 12,144   | 103,520   |
| Other derivatives                  | Gain on transactions and valuation | 728      | 3,518     | 2,084    | 14,396    |
|                                    | Loss on transactions and valuation | (989)    | (4,412)   | (2,109)  | (14,921)  |
|                                    | Sub-total                          | (261)    | (894)     | (25)     | (525)     |
| Total of derivatives (for trading) |                                    | (41,179) | (1,458)   | 65,385   | (2,168)   |
| Total                              |                                    | (17,905) | 96,241    | 67,214   | 7,028     |

- (3) Details of net gain (loss) on financial instrument at fair value through profit or loss designated as upon initial recognition and Losses on financial instruments designated as at fair value through profit or loss are as follows (Unit: Korean Won in millions):

|  | 2018                            |                                | 2017                            |                                |
|--|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
|  | Three months ended September 30 | Nine months ended September 30 | Three months ended September 30 | Nine months ended September 30 |
| <b>Gain (loss) on equity-linked securities:</b>      |                                 |                                |                                 |                                |
| Loss on disposals of equity-linked securities        | (254)                           | (1,788)                        | (27,988)                        | (43,865)                       |
| Gain (loss) on valuation of equity-linked securities | (6,278)                         | (3,464)                        | 8,901                           | (60,813)                       |
| Sub-total  | (6,532)                         | (5,252)                        | (19,087)                        | (104,678)                      |
| <b>Loss on other securities:</b>                     |                                 |                                |                                 |                                |
| Loss on valuation of other securities                |                                 |                                | (4)                             | (20)                           |
| <b>Gain on other financial instruments:</b>          |                                 |                                |                                 |                                |
| Gain on valuation of other financial instruments     |                                 | 1,597                          | 650                             | 34                             |
| <b>Total</b>   | <b>(6,532)</b>                  | <b>(3,655)</b>                 | <b>(18,441)</b>                 | <b>(104,664)</b>               |

### 37. NET GAIN OR LOSS ON FINANCIAL ASSETS AT FVTOCI AND AFS FINANCIAL ASSETS

Details of net gain on financial assets at FVTOCI and AFS financial assets recognized are as follows (Unit: Korean Won in millions):

|                                   | 2018                            |                                | 2017                            |                                |
|-----------------------------------|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
|                                   | Three months ended September 30 | Nine months ended September 30 | Three months ended September 30 | Nine months ended September 30 |
| Gains on redemption of securities | 8                               | 24                             | 150                             | 697                            |
| Gains on disposal of securities   | 878                             | 2,149                          | 48,753                          | 165,015                        |
| Impairment loss on securities     |                                 |                                | (4,630)                         | (17,267)                       |
| Total                             | 886                             | 2,173                          | 44,273                          | 148,445                        |

### 38. IMPAIRMENT REVERSAL (LOSS) DUE TO CREDIT LOSS

Impairment reversal (loss) due to credit loss are as follows (Unit: Korean Won in millions):

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|   | 2018                            |                                | 2017                            |                                |
|---|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
|   | Three months ended September 30 | Nine months ended September 30 | Three months ended September 30 | Nine months ended September 30 |
| Impairment loss due to credit loss on financial assets measured at FVTOCI       | (538)                           | (1,061)                        |                                 |                                |
| Impairment loss due to credit loss on securities at amortized cost              | (393)                           | (584)                          |                                 |                                |
| Provision for credit loss on loans and other financial assets at amortized cost | (89,272)                        | (150,265)                      |                                 |                                |
| Impairment loss due to credit loss  |                                 |                                | (216,865)                       | (550,841)                      |
| Reversal of provision on guarantee  | 23,639                          | 110,629                        | 2,223                           | 47,191                         |
| Reversal of provision on (provision for) unused commitment                      | (17,291)                        | (14,136)                       | (2,617)                         | 2,628                          |
| <b>Total</b>  | <b>(83,855)</b>                 | <b>(55,417)</b>                | <b>(217,259)</b>                | <b>(501,022)</b>               |

**39. GENERAL ADMINISTRATIVE EXPENSES AND OTHER NET OPERATING INCOME (EXPENSES)**

(1) Details of general and administrative expenses recognized are as follows (Unit: Korean Won in millions):

|   |                                  | 2018               |                   | 2017               |                   |
|---|----------------------------------|--------------------|-------------------|--------------------|-------------------|
|   |                                  | Three months ended | Nine months ended | Three months ended | Nine months ended |
|   |                                  | September 30       | September 30      | September 30       | September 30      |
| Salaries                                  | Short term employee benefits     | 357,538            | 1,002,201         | 334,986            | 989,177           |
|   | Salaries Employee benefits       | 110,696            | 324,323           | 144,596            | 358,196           |
|   | Retirement benefit service costs | 36,406             | 109,342           | 36,690             | 110,747           |
|   | Termination                      | 204                | 21,198            | 298,780            | 304,257           |
| Sub-total                                 |                                  | 504,844            | 1,457,064         | 815,052            | 1,762,377         |
| Depreciation and amortization             |                                  | 57,978             | 157,676           | 44,753             | 139,680           |
| Other general and administrative expenses | Rent                             | 79,558             | 238,684           | 77,971             | 234,679           |
|   | Taxes and public dues            | 25,259             | 92,644            | 23,637             | 86,815            |
|   | Service charges                  | 55,564             | 160,534           | 50,240             | 146,658           |
|   | Computer and IT related          | 14,813             | 58,394            | 18,998             | 49,475            |
|   | Telephone and communication      | 17,634             | 51,363            | 16,501             | 48,091            |
|   | Operating promotion              | 9,466              | 29,234            | 9,981              | 31,034            |
|   | Advertising                      | 15,185             | 35,678            | 12,426             | 42,306            |
|   | Printing                         | 2,050              | 5,942             | 1,877              | 6,114             |
|   | Traveling                        | 3,596              | 9,630             | 3,688              | 9,712             |
|   | Supplies                         | 1,561              | 4,784             | 1,624              | 4,741             |
|   | Insurance premium                | 2,027              | 6,029             | 2,193              | 6,362             |
|   | Reimbursement                    | 5,793              | 11,695            | 5,657              | 14,834            |
|   | Maintenance                      | 4,516              | 12,543            | 5,860              | 12,742            |
|   | Water, light, and heating        | 3,981              | 11,184            | 3,835              | 10,981            |
|   | Vehicle maintenance              | 2,802              | 7,396             | 2,519              | 7,483             |
| Others                                    | 12,146                           | 35,637             | 11,813            | 32,968             |                   |
| Sub-total                                 |                                  | 255,951            | 771,371           | 248,820            | 744,995           |
| Total                                     |                                  | 818,773            | 2,386,111         | 1,108,625          | 2,647,052         |

(2) Details of other operating income recognized are as follows (Unit: Korean Won in millions):

|  | 2018               |                   | 2017               |                   |
|--|--------------------|-------------------|--------------------|-------------------|
|  | Three months ended | Nine months ended | Three months ended | Nine months ended |
|  | September 30       | September 30      | September 30       | September 30      |
| Gains on transaction of foreign exchange | 297,436            | 1,144,833         | 623,165            | 2,322,152         |



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|  |         |           |         |           |
|--|---------|-----------|---------|-----------|
| Gains (losses) on disposal of loans and receivables (*1) |         |           | (907)   | 200,953   |
| Gains (losses) related to derivatives (Held for hedging) | (4,809) | 24,134    | (3,961) | 7,695     |
| Gains on fair value hedged items                         | 16,976  | 83,531    | 13,195  | 25,055    |
| Others (*2)  | 36,160  | 53,682    | 4,294   | 72,962    |
| Total  | 345,763 | 1,306,180 | 635,786 | 2,628,817 |

(\*1) Gain (loss) on disposal of loan and receivables occurred during the nine month ended September 30, 2018 was presented as a separate account named Net gain related to financial assets at amortized cost in accordance with the adoption of IFRS 9.

(\*2) Other income includes income amounting to 29,316 million Won and 28,800 million Won, for the nine months ended September 30, 2018 and 2017, respectively, that the Group recognized for it is to receive from other creditor financial institutions in accordance with the creditor financial institutions committee agreement.

(3) Details of other operating expenses recognized are as follows (Unit: Korean Won in millions):

|   | 2018               |                   | 2017               |                   |
|---|--------------------|-------------------|--------------------|-------------------|
|   | Three months ended | Nine months ended | Three months ended | Nine months ended |
|   | September 30       | September 30      | September 30       | September 30      |
| Losses on transactions of foreign exchange                | 161,553            | 887,901           | 579,896            | 1,954,660         |
| KDIC deposit insurance premium                            | 79,545             | 236,310           | 77,125             | 227,381           |
| Contribution to miscellaneous funds                       | 76,018             | 222,799           | 70,741             | 215,003           |
| Losses (gains) on disposals of loans and receivables (*1) |                    |                   | 7,574              | 7,602             |
| Losses related to derivatives (Held for hedging)          | 15,924             | 78,290            | 8,637              | 39,768            |
| Losses on fair value hedged items                         |                    |                   | (8,990)            | 6,856             |
| Others (*2)   | 46,219             | 133,790           | 27,544             | 103,098           |
| Total   | 379,259            | 1,559,090         | 762,527            | 2,554,368         |

(\*1) Loss on disposal of loan and receivables occurred during the nine month ended September 30, 2018 was presented as a separate account named Net gain related to financial assets at amortized cost in accordance with the adoption of IFRS 9.

(\*2) Other expense includes such expenses amounting to 1,412 million Won and 5,237 million Won for the nine months ended September 30, 2018 and 2017, respectively, which are related to the Group's expected payments to other creditor financial institutions in accordance with the creditor financial institutions committee agreement. In addition, it includes 38,483 million Won and 36,419 million Won for the nine months ended September 30, 2018 and 2017, respectively, of intangible asset amortization expense.

#### 40. OTHER NON-OPERATING INCOME (EXPENSES)

(1) Details of gains or losses on valuation of investments in joint ventures and associates are as follows (Unit: Korean Won in millions):

|   | 2018               |                   | 2017               |                   |
|---|--------------------|-------------------|--------------------|-------------------|
|   | Three months ended | Nine months ended | Three months ended | Nine months ended |
|   | September 30       | September 30      | September 30       | September 30      |
| Gain on valuation of investments in joint ventures and associates | 2,992              | 18,339            | 76,247             | 79,563            |
| Loss on valuation of investments in joint ventures and associates | (3,463)            | (20,272)          | (6,577)            | (68,848)          |
| Impairment loss of investments in joint ventures and associates   |                    |                   |                    | (5,323)           |
| Total   | (471)              | (1,933)           | 69,670             | 5,392             |

(2) Details of other non-operating income and expenses recognized are as follows (Unit: Korean Won in millions):

|                              | 2018                               |                                   | 2017                               |                                   |
|------------------------------|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
|                              | Three months ended<br>September 30 | Nine months ended<br>September 30 | Three months ended<br>September 30 | Nine months ended<br>September 30 |
| Other non-operating incomes  | 76,653                             | 115,694                           | 19,894                             | 97,079                            |
| Other non-operating expenses | (16,208)                           | (59,970)                          | (35,614)                           | (102,801)                         |
| <b>Total</b>                 | <b>60,445</b>                      | <b>55,724</b>                     | <b>(15,720)</b>                    | <b>(5,722)</b>                    |

(3) Details of other non-operating income recognized are as follows (Unit: Korean Won in millions):

|   | 2018               |                   | 2017               |                   |
|---|--------------------|-------------------|--------------------|-------------------|
|   | Three months ended | Nine months ended | Three months ended | Nine months ended |
|   | September 30       | September 30      | September 30       | September 30      |
| Rental fee income   | 1,810              | 5,013             | 2,025              | 5,725             |
| Gains on disposal of investments in joint ventures and associates                         | 49,767             | 49,767            | 308                | 33,194            |
| Gains on disposal of premises and equipment, intangible assets and other assets           | 12,959             | 29,996            | 3,220              | 4,895             |
| Reversal of impairment loss of premises and equipment, intangible assets and other assets | 420                | 761               | 572                | 604               |
| Others  | 11,697             | 30,157            | 13,769             | 52,661            |
| Total   | 76,653             | 115,694           | 19,894             | 97,079            |

(4) Details of other non-operating expenses recognized are as follows (Unit: Korean Won in millions):

|  | 2018               |                   | 2017               |                   |
|--|--------------------|-------------------|--------------------|-------------------|
|  | Three months ended | Nine months ended | Three months ended | Nine months ended |
|  | September 30       | September 30      | September 30       | September 30      |
| Depreciation on investment properties  | 1,012              | 3,022             | 995                | 2,986             |
| Interest expense of refundable deposits  | 160                | 452               | 111                | 334               |
| Loss on disposal of investment in joint ventures and associates                |                    | 2,931             | 10,971             | 38,701            |
| Loss on disposal of premises and equipment, intangible assets and other assets | 746                | 967               | 7,966              | 8,574             |
| Impairment loss of premises and equipment, intangible assets and other assets  | 34                 | 36                | 109                | 269               |
| Donation   | 9,935              | 31,977            | 9,356              | 24,336            |
| Others   | 4,321              | 20,585            | 6,106              | 27,601            |
| Total  | 16,208             | 59,970            | 35,614             | 102,801           |

**41. INCOME TAX EXPENSE**

(1) Details of income tax expenses are as follows (Unit: Korean Won in millions):

|  | For the nine months ended September 30 |                |
|--|--|----------------|
|  | 2018                                   | 2017           |
| <b>Current tax expense</b>   |  |                |
| Current tax expense with respect to the current period                                       | 390,571                                | 419,793        |
| Adjustments recognized in the current period in relation to the current tax of prior periods | 5,439                                  | (5,122)        |
| <b>Sub-total</b>   | <b>396,010</b>                         | <b>414,671</b> |
| <b>Deferred tax expense (income)</b>   |  |                |
| Changes in deferred tax assets (liabilities) relating to temporary differences               | 237,574                                | (25,745)       |
| Deferred tax expense charged directly to equity  | (2,434)                                | 20,219         |
| Others (tax effect charged directly to other equity due to the adoption of IFRS 9)           | 75,318                                 |                |
| <b>Sub-total</b>   | <b>310,458</b>                         | <b>(5,526)</b> |
| <b>Income tax expense</b>  | <b>706,468</b>                         | <b>409,145</b> |

(2) Income tax expense reconciled to net income before income tax expense is as follows (Unit: Korean Won in millions):

|  | For the nine months ended September 30 |                 |
|--|--|-----------------|
|  | 2018                                   | 2017            |
| Net income before income tax expense   | 2,627,320                              | 1,801,586       |
| Tax calculated at statutory tax rate (*)   | 714,742                                | 435,522         |
| <b>Adjustments</b>   |  |                 |
| Effect of income that is exempt from taxation  | (29,014)                               | (45,268)        |
| Effect of expense not deductible in determining taxable income                               | 12,110                                 | 20,409          |
| Adjustments recognized in the current period in relation to the current tax of prior periods | 5,439                                  | (5,122)         |
| Others   | 3,191                                  | 3,604           |
| <b>Sub-total</b>   | <b>(8,274)</b>                         | <b>(26,377)</b> |
| <b>Income tax expense</b>  | <b>706,468</b>                         | <b>409,145</b>  |
| <b>Effective tax rate</b>  | <b>26.9%</b>                           | <b>22.7%</b>    |

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(\*) The applicable income tax rate: 1) 11% for taxable income below 200 million Won, 2) 22% for above 200 million Won and below 20 billion Won, 3) 24.2% for above 20 billion Won and below 300 billion Won, 4) 27.5% for above 300 billion Won.

(3) Details of accumulated deferred tax charged directly to other equity are as follows (Unit: Korean Won in millions):

|  | September 30,<br>2018 | December 31,<br>2017 |
|--|-----------------------|----------------------|
| Net gain on valuation of financial assets at FVTOCI        | 21,692                |                      |
| Loss on valuation of AFS securities                        |                       | (114,169)            |
| Share of other comprehensive loss of and associates        | (558)                 | (954)                |
| Gain on foreign currency translation of foreign operations | 9,429                 | 15,855               |
| Remeasurements of the net defined benefit liability        | 72,450                | 56,317               |
| Gain (loss) on derivatives designated as cash flow hedge   | 1,149                 | (248)                |
| <b>Total</b>   | <b>104,162</b>        | <b>(43,199)</b>      |

**42. EARNINGS PER SHARE ( EPS )**

Basic EPS is calculated by dividing net income attributable to common shareholders by weighted-average number of common shares outstanding (Unit: Korean Won in millions, except for EPS and number of shares):

|  | 2018                               |                                   | 2017                               |                                   |
|--|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
|  | Three months ended<br>September 30 | Nine months ended<br>September 30 | Three months ended<br>September 30 | Nine months ended<br>September 30 |
| Net income attributable to Owners                    | 597,528                            | 1,903,406                         | 280,146                            | 1,378,507                         |
| Dividends to hybrid securities                       | (37,187)                           | (112,790)                         | (39,098)                           | (129,921)                         |
| Net income attributable to common shareholders       | 560,341                            | 1,790,616                         | 241,048                            | 1,248,586                         |
| Weighted-average number of common shares outstanding | 673 shares in million              | 673 shares in million             | 673 shares in million              | 673 shares in million             |
| Basic EPS (Unit: Korean Won)                         | 833                                | 2,661                             | 358                                | 1,855                             |

Diluted EPS is equal to basic EPS because there is no dilution effect for the nine months ended September 30, 2018 and 2017.

**43. CONTINGENT LIABILITIES AND COMMITMENTS**

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

|  | September 30, 2018 | December 31, 2017 |
|--|--------------------|-------------------|
| <b>Confirmed guarantees</b>                      |                    |                   |
| Guarantee for loans                              | 140,876            | 157,299           |
| Acceptances                                      | 290,959            | 320,519           |
| Guarantees in acceptances of imported goods      | 133,132            | 108,238           |
| Other confirmed guarantees                       | 6,120,664          | 6,288,965         |
| Sub-total  | 6,685,631          | 6,875,021         |
| <b>Unconfirmed guarantees</b>                    |                    |                   |
| Local letter of credit                           | 341,948            | 383,117           |
| Letter of credit                                 | 3,427,080          | 3,637,787         |
| Other unconfirmed guarantees                     | 814,655            | 505,689           |
| Sub-total  | 4,583,683          | 4,526,593         |
| Commercial paper purchase commitments and others | 1,206,156          | 1,458,101         |
| <b>Total</b>                                     | <b>12,475,470</b>  | <b>12,859,715</b> |

(2) Details of loan commitments and others are as follows (Unit: Korean Won in millions):

|                   | September 30, 2018 | December 31, 2017 |
|-------------------|--------------------|-------------------|
| Loan commitments  | 97,085,991         | 80,760,325        |
| Other commitments | 5,283,594          | 4,546,090         |

(3) Litigation case

Legal cases where the Group is involved are as follows (Unit: Korean Won in millions):

|                            | September 30, 2018 |              | December 31, 2017 |              |
|----------------------------|--------------------|--------------|-------------------|--------------|
|                            | As plaintiff       | As defendant | As plaintiff      | As defendant |
| Number of cases (*)        | 79 cases           | 167 cases    | 83 cases          | 155 cases    |
| Amount of litigation       | 454,100            | 260,202      | 413,267           | 244,767      |
| Provisions for litigations |                    | 19,338       |                   | 9,277        |

(\*) The number of lawsuits as of September 30, 2018 and December 31, 2017 does not include fraud lawsuits, etc. and those lawsuits that are filed only to extend the statute of limitation.



## (4) Other

The Group provides settlement services for payments in Korean Won to facilitate trade transactions between Korea and Iran. In connection with these services, the Group is currently being investigated by US government agencies including US prosecutors (United States Attorney's Office and New York State Attorney General's Office) as to whether the Group has violated United States laws by participating in prohibited transactions involving countries sanctioned by the US.

**44. RELATED PARTY TRANSACTIONS**

Related parties of the Group as of September 30, 2018 and December 31, 2017, and assets and liabilities recognized, guarantees and commitments, and major transactions with related parties for the nine months ended September 30, 2018 and 2017 are as follows:

## (1) Related parties

## Related parties

Associates Woori Service Networks Co., Ltd., Korea Credit Bureau Co., Ltd., Korea Finance Security Co., Ltd., Chin Hung International Inc., 2016KIF-IMM Woori Bank Technology Venture Fund, K BANK Co., Ltd., Well to Sea No. 3 Private Equity Fund, and Others (Dongwoo C & C Co., Ltd. and other 26 associates)

## (2) Assets and liabilities from transactions with related parties are as follows (Unit: Korean Won in millions):

| Related party                           | A title of account        | September 30,<br>2018 | December 31,<br>2017 |
|---|---------------------------|-----------------------|----------------------|
| Associates Kumho Tire Co., Inc. (*1)    | Loans                     |                       | 170,917              |
|   | Loss allowance            |                       | (156,712)            |
|   | Deposits due to customers |                       | 666                  |
|   | Other liabilities         |                       | 50                   |
| Woori Service Networks Co., Ltd.        | Loans                     | 31                    | 45                   |
|   | Deposits due to customers | 1,792                 | 1,311                |
|   | Other liabilities         | 328                   | 357                  |
| Korea Credit Bureau Co., Ltd.           | Loans                     | 2                     | 6                    |
|   | Deposits due to customers | 7,219                 | 5,586                |
|   | Other liabilities         | 14                    | 54                   |
| Korea Finance Security Co., Ltd.        | Loans                     | 54                    | 56                   |
|   | Loss allowance            | (4)                   |                      |
|   | Deposits due to customers | 3,291                 | 2,854                |
|   | Other liabilities         | 17                    | 7                    |
| Associates Chin Hung International Inc. | Loans                     | 336                   | 408                  |

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|                                       |                           |        |          |
|---------------------------------------|---------------------------|--------|----------|
|                                       | Loss allowance            | (252)  | (22)     |
|                                       | Deposits due to customers | 12,141 | 46,220   |
|                                       | Other liabilities         | 2,900  | 1,658    |
| Poonglim Industrial Co., Ltd.<br>(*2) | Deposits due to customers |        | 4        |
| STX Engine Co., Ltd. (*3)             | Loans                     |        | 106,176  |
|                                       | Loss allowance            |        | (88,734) |
|                                       | Deposits due to customers |        | 18,092   |
|                                       | Other liabilities         |        | 29       |

| Related party                        | A title of account        | September 30, December 31, |          |
|--------------------------------------|---------------------------|----------------------------|----------|
|                                      |                           | 2018                       | 2017     |
| STX Corporation (*3)                 | Loans                     |                            | 47,711   |
|                                      | Loss allowance            |                            | (31,210) |
|                                      | Deposits due to customers |                            | 77,555   |
|                                      | Other liabilities         |                            | 80       |
| K BANK Co., Ltd.                     | Loans                     | 181                        | 212      |
|                                      | Deposits due to customers | 3                          |          |
| Well to Sea No.3 Private Equity Fund | Loans                     | 70,632                     | 73,810   |
|                                      | Loss allowance            | (73)                       | (39)     |
|                                      | Deposits due to customers | 1,788                      | 61       |
|                                      | Other liabilities         | 72                         | 27       |
| Others (*4)                          | Loans                     | 260                        | 499      |
|                                      | Loss allowance            | (234)                      | (471)    |
|                                      | Other assets              |                            | 1        |
|                                      | Deposits due to customers | 5,868                      | 2,906    |
|                                      | Other liabilities         | 159                        | 73       |

- (\*1) The Group lost significant influence over the entity due to the termination of the joint management procedures of the creditors financial institution during the nine months ended September 30, 2018, and thus the entity was excluded from the list of associates.
- (\*2) The Group does not have significant influence over the entity due to the fact that the entity went through workout process during the nine months ended September 30, 2018, and thus the entity was excluded from the list of associates.
- (\*3) The shares of the entity were sold after it was transferred to assets held for sale during the nine months ended September 30, 2018 and thus was excluded from the list of associates.
- (\*4) Others include Saman Corporation, Kyesan Engineering Co., Ltd., DAEA SNC Co., Ltd., etc., as of September 30, 2018 and December 31, 2017.

(3) Gain or loss from transactions with related parties are as follows (Unit: Korean Won in millions):

| Related party   | A title of account        | For the nine months ended  |                    |
|---|---------------------------|--|--------------------|
|   |                           | September 30, 2018   | September 30, 2017 |
| Corporation that has significant influence over the Group | KDIC (*1)                 |  |                    |
|   | Interest expenses         |  | 15,331             |
| Associates  | Kumho Tire Co., Inc. (*2) | Interest income  | 1,098              |
|   |                           | Fees income  | 6                  |
|   |                           | Interest expenses  | 1                  |
|   |                           | Impairment losses due to credit loss (reversal of allowance for credit loss) | (156,712)          |
|   |                           |  | 42,218             |

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|            |  |   |       |       |
|------------|--|---|-------|-------|
|            | Woori Blackstone Korea<br>Opportunity Private<br>Equity Fund No.1 (*3) | Fees income                             |       | 36    |
|            | Woori Service Networks<br>Co., Ltd.                                    |   |       |       |
| Associates |  | Other income                            | 22    | 22    |
|            |  | Interest expenses                       | 10    | 19    |
|            |  | Fees expenses                           | 437   | 335   |
|            |  | Other expenses                          | 379   | 307   |
|            | Korea Credit Bureau<br>Co., Ltd.                                       | Interest expenses                       | 29    | 60    |
|            |  | Fees expenses                           | 1,718 | 1,023 |
|            | Korea Finance Security<br>Co., Ltd.                                    | Interest expenses                       | 8     | 8     |
|            |  | Impairment losses due to<br>credit loss | 4     |       |
|            |  | Other expenses                          | 109   |       |

| Related party                      | A title of account  | For the nine months ended |          |
|------------------------------------|---|---------------------------|----------|
|                                    |   | 2018                      | 2017     |
| Chin Hung International Inc.       | Interest income   |                           | 364      |
|                                    | Fees income   |                           | 1        |
|                                    | Interest expenses   | 35                        | 18       |
|                                    | Impairment losses due to credit loss<br>(reversal of allowance for credit loss) | 230                       | (4,275)  |
|                                    |   |                           |          |
| STX Engine Co., Ltd. (*4)          | Interest income   | 333                       | 1,011    |
|                                    | Fees income   |                           | 28       |
|                                    | Interest expenses   | 86                        | 109      |
|                                    | Impairment losses due to credit loss<br>(reversal of allowance for credit loss) | (88,734)                  | 7,651    |
|                                    |   |                           |          |
| Samho International Co., Ltd. (*5) | Interest income   |                           | 486      |
|                                    | Fees income   |                           | 5        |
|                                    | Interest expenses   |                           | 334      |
|                                    | Reversal of allowance for credit loss   |                           | (717)    |
| STX Corporation (*4)               | Interest income   |                           | 219      |
|                                    | Fees income   |                           | 60       |
|                                    | Interest expenses   | 2                         | 2        |
|                                    | Reversal of allowance for credit loss   | (31,210)                  | (61,106) |
| K BANK Co., Ltd.                   | Fees income   | 823                       | 594      |
|                                    | Other income  | 11                        | 1,051    |
| Well to Sea No.3                   | Interest incomes  | 1,736                     |          |
|                                    | Interest expenses   | 8                         |          |
| Private Equity Fund (*6)           | Impairment losses due to credit loss  | 34                        | 85       |
| Others (*7)                        | Other income  | 10                        |          |
|                                    | Interest expenses   | 29                        | 10       |
|                                    | Impairment losses due to credit loss<br>(reversal of allowance for credit loss) | (237)                     | 67       |
|                                    |   |                           |          |

(\*1) As its ownership interest in the Group is lower than 20% as of December 31, 2017, it has been excluded from the corporation that have significant influence over the Group category.

(\*2) The Group lost significant influence over the entity due to the termination of the joint management procedures of the creditors financial institution during the nine months ended September 30, 2018, and thus the entity was excluded from the list of associates.

(\*3) The entity is excluded from the list of associates due to its liquidation for the year ended December 31, 2017.

(\*4) The shares of the entity were sold after it was transferred to assets held for sale during the nine months ended September 30, 2018 and thus was excluded from the list of associates.

(\*5) The shares of the entity were sold after it was transferred to assets held for sale during the year ended December 31, 2017 and thus was excluded from the list of associates.

(\*6) Due to capital contribution for the year ended December 31, 2017, the entity has been included in the list of associates.

(\*7) Others include the amount transacted with Saman Corporation, Kyesan Engineering Co., Ltd., DAEA SNC Co., Ltd., etc., for the nine months ended September 30, 2018 and 2017.

- (4) Major loan transactions with related parties for the nine months ended September 30, 2018 and September 30, 2017 are as follows (Unit: Korean Won in millions):

| Related parties |  | For the nine months ended September 30, 2018 |        |            |          | Ending balance(*1) |
|-----------------|--|--|--------|------------|----------|--------------------|
|                 |  | Beginning balance                            | Loan   | Collection | Others   |                    |
| Associates      | Kumho Tire Co., Inc. (*2)                  | 57,470                                       |        | 7,057      | (50,413) |                    |
|                 | Well to Sea No. 3 Private Equity Fund (*3) | 73,810                                       | 11,822 | 15,000     |          | 70,632             |
|                 | STX Engine Co., Ltd. (*4)                  | 39,886                                       |        | 2,177      | (37,709) |                    |

| Related parties |  | For the nine months ended September 30, 2017 |        |            |        | Ending balance(*1) |
|-----------------|--|--|--------|------------|--------|--------------------|
|                 |  | Beginning balance                            | Loan   | Collection | Others |                    |
| Associates      | Kumho Tire Co., Inc. (*2)                  | 50,413                                       |        |            |        | 50,413             |
|                 | Well to Sea No. 3 Private Equity Fund (*3) |  | 80,000 |            |        | 80,000             |
|                 | STX Engine Co., Ltd. (*4)                  | 44,797                                       |        | 7,088      |        | 37,709             |

- (\*1) Settlement payment from normal operation among the related parties were excluded, and in the case of a limited loan, it was presented as a net increase (decrease).  
 (\*2) The Group lost significant influence over the entity due to the termination of the joint management procedures of the creditors financial institution during the nine months ended September 30, 2018, and thus the entity was excluded from the list of associates.  
 (\*3) Due to capital contribution, the entity was included in the list of associates during the year ended December 31, 2017.  
 (\*4) The shares of the entity were sold after it was transferred to assets held for sale during the nine months ended September 30, 2018 and thus was excluded from the list of associates.

- (5) There are no major borrowing transactions with related parties for the nine months ended September 30, 2018 and 2017.

- (6) Guarantees provided to the related parties are as follows (Unit: Korean Won in millions):

|                                  | September 30, 2018 | December 31, 2017 | Warranty                                       |
|----------------------------------|--------------------|-------------------|--|
| Kumho Tire Co., Inc. (*1)        |                    | 4,181             | Import credit in foreign currencies and others |
|                                  |                    | 636               | Loan commitment                                |
| Korea Finance Security Co., Ltd. | 206                | 204               | Loan commitment                                |
| Korea Credit Bureau Co., Ltd.    | 33                 | 29                | Loan commitment                                |

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|                                       |         |         |  |
|---------------------------------------|---------|---------|--|
| Woori Service Networks Co., Ltd.      | 169     | 155     | Loan commitment                                |
| Chin Hung International Inc.          | 32,202  | 31,891  | Loan commitment                                |
| STX Engine Co., Ltd. (*2)             |         | 68,858  | Import credit in foreign currencies and others |
| STX corporation (*2)                  |         | 17,557  | Import credit in foreign currencies and others |
|                                       |         | 53      | Loan commitment                                |
| K BANK Co., Ltd.                      | 21      |         | Loan commitment                                |
| Well to Sea No. 3 Private Equity Fund | 239,368 | 236,190 | Loan commitment                                |

- (\*1) The Group lost significant influence over the entity due to the termination of the joint management procedures of the creditors financial institution during the nine months ended September 30, 2018, and thus the entity was excluded from the list of associates.
- (\*2) The shares of the entity were sold after it was transferred to assets held for sale during the nine months ended September 30, 2018 and thus was excluded from the list of associates.

For the guarantee provided to the related parties, the amount the Group recognized as provisions for guarantees is nil and 71,459 million Won, as of September 30, 2018 and December 31, 2017, respectively.

(7) Compensation for key management is as follows (Unit: Korean Won in millions):

|                     | For the nine months ended September 30 |              |
|---------------------|--|--------------|
|                     | 2018                                   | 2017         |
| Short term benefits | 9,054                                  | 9,340        |
| Severance payments  | 371                                    | 372          |
| <b>Total</b>        | <b>9,425</b>                           | <b>9,712</b> |

Key management includes registered executives and non-registered executives. Outstanding assets and liabilities from transactions with key management amount to 2,128 million Won and 7,230 million Won, respectively, as of September 30, 2018, and with respect to the assets, the Group has not recognized any allowance nor related impairment loss due to credit losses.



**45. BUSINESS COMBINATION**

The business combination occurred during the current period is as follows:

**(1) Acquisition of WB Finance Co., Ltd.**

In order to expand Cambodia's retail business, the Group had acquired 100% ownership of Vision Fund Cambodia on June, 2018 and the Group changed its name to WB Finance Co., Ltd.

**(2) Details of the accounting for the business combination are as follows (Unit: Korean Won in millions):**

|  | Amount      |
|--|-------------|
| <b>Consideration transferred:</b>                      |             |
| Cash and cash equivalents                              | 87,562      |
| <b>Identifiable assets and liabilities recognized:</b> |             |
| Cash and cash equivalents                              | 16,657      |
| Financial assets at FVTOCI                             | 17          |
| Loans and other financial assets at amortized cost     | 205,451     |
| Premises and equipment                                 | 1,630       |
| Intangible assets                                      | 763         |
| Current tax assets                                     | 173         |
| Deferred tax assets                                    | 1,381       |
| Other assets   | 1,510       |
| <br>Asset total  | <br>227,582 |

|                                 | Amount      |
|---------------------------------|-------------|
| Deposits due to customers       | 54,615      |
| Borrowings                      | 120,644     |
| Other financial liabilities     | 6,149       |
| Current tax liabilities         | 640         |
| Other liabilities               | 4,724       |
| <br>Liabilities total           | <br>186,772 |
| <br>Identifiable net fair value | <br>40,810  |
| Goodwill (*)                    | 46,752      |

(\*) Identifying the intangible assets and measuring the fair value of identifiable assets acquired are incomplete as the acquisition date was June 21, 2018. The amount of Goodwill could change due to the result of the measurement of the identifiable assets and liabilities.

#### **46. ESTABLISHMENT OF A FINANCIAL HOLDING COMPANY AND PLAN OF STOCK TRANSFER**

The Group's board of directors held a meeting on June 19, 2018, approving the shares transfer plan which was formulated to facilitate the establishment of a financial holding company by means of comprehensive share transfer. In relation to the establishment of the financial holding company, the Group has acquired approval from the Financial Services Committee on November 7, 2018.

The six companies that are subject to the share transfer plan include the Bank, Woori FIS Co., Ltd., Woori Finance Research Institute Co., Ltd., Woori Credit Information Co., Ltd., Woori Fund Service Co., Ltd., and Woori Private Equity Asset Management Co., Ltd. The Group is planning to establish the financial holding company during January of 2019 after approval from the annual shareholders' meeting, etc., and the six companies mentioned above will become fully owned subsidiaries of the said financial holding company.

After the financial holding company is established, the shares of the Bank will be delisted from the Korea Stock Exchange and New York Stock Exchange during the first half of the 2019, and the shares of the newly established financial holding company will be listed on both Korea Stock Exchange and New York Stock Exchange.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Woori Bank  
(Registrant)

Date: November 16, 2018

By: /s/ Won Duk Lee  
(Signature)

Name: Won Duk Lee  
Title: Managing Director