WOORI BANK
Form F-4/A
September 28, 2018
Table of Contents

As filed with the U.S. Securities and Exchange Commission on September 28, 2018

Registration Statement No. 333-226345

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM F-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Woori Bank

(Exact Name of Registrant as Specified in its Charter)

Woori Bank

(Translation of Registrant s Name into English)

Republic of Korea	6029	Not Applicable
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

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

Telephone: +82-2-2125-2337 / Fax: +82-505-003-2512

(Address and telephone number of Registrant s principal executive offices)

Woori Bank New York Agency

245 Park Avenue, 43rd Floor

New York, NY 10167

Telephone: (212) 949-1900

(Name, address and telephone number of agent for service)

Copies to:

Yong G. Lee, Esq.

Cleary Gottlieb Steen & Hamilton LLP

Foreign Legal Consultant Office

19F, Ferrum Tower

19, Eulji-ro 5-gil, Jung-gu

Seoul 04539, Korea

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross Border Issuer Tender Offer)
Exchange Act Rule 14d-1(d) (Cross Border Third-Party Tender Offer)

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933.

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered(1)	**Amount to be Registered(2)**	**Proposed Maximum Offering Price Per Share(3)**	**Proposed Maximum Aggregate Offering Price(2)(3)**	**Amount of Registration Fee(4)**
	80,000,000	U.S.$14.60	U.S.$1,168,274,003.69	U.S.$145,450.11

Common stock, par value ₩5,000
per share

(1) American depositary shares issuable upon deposit of the securities registered hereby are to be registered under a separate registration statement on Form F-6.
(2) Represents the maximum number of shares of common stock of Woori Financial Group Inc. expected to be issued to shareholders resident in the United States in connection with the transaction described herein, based on the ratio of one share of Woori Financial Group common stock to be issued for every one share of Woori Bank common stock. The securities to be issued in connection with the transaction outside the United States are not registered under this registration statement.
(3) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(f), based on the market value per share of Woori Bank common stock calculated pursuant to Rule 457(c) by taking the average of the high and low prices of such shares as reported on the KRX KOSPI Market of the Korea Exchange on July 20, 2018 and converting it into U.S. dollars based on the noon buying rate for cable transfers in Won as certified for customs purposes by the Federal Reserve Bank of New York as in effect on such date of ₩1,128.16 = U.S.$1.00.
(4) Determined in accordance with Section 6(b) of the Securities Act at a rate equal to U.S.$124.50 per U.S.$1,000,000 of the proposed maximum aggregate offering price or 0.0001245 multiplied by the proposed maximum aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective time until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this preliminary prospectus is not complete and may be changed. We may not ask you to vote until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities, and we are not soliciting offers to buy these securities, in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated September 28, 2018

Extraordinary General Meeting of Shareholders of Woori Bank

STOCK TRANSFER PROPOSAL

The board of directors of Woori Bank has approved the adoption of a financial holding company structure for our bank pursuant to a comprehensive stock transfer under Article 360-15 of the Korean Commercial Code, whereby holders of our common stock will transfer all of their shares to a new financial holding company, to be named Woori Financial Group Inc. and in return receive shares of Woori Financial Group common stock. In the stock transfer, each holder of one share of our common stock will receive one share of Woori Financial Group common stock, par value ₩5,000 per share. Holders of our American depositary shares, each of which represents three shares of our common stock, will receive one Woori Financial Group American depositary share for every American depositary share they own (subject to payment of certain applicable depositary fees). In connection with the stock transfer, Woori Financial Group will issue approximately 676,000,000 shares of its common stock to holders of our common stock. Our common stock is listed on the KOSPI Market of the Korea Exchange under the identifying code 000030, and our American depositary shares are listed on the New York Stock Exchange under the symbol WF. Following the stock transfer, the common stock and American depositary shares of Woori Financial Group are expected to be similarly listed on such stock exchanges.

We believe that the adoption of a financial holding company structure through the proposed stock transfer will help us increase customer satisfaction, generate synergies and maximize profitability, by creating an integrated system among our affiliated companies and allowing us to effectively provide various financial services, including comprehensive one-stop asset management services customized for clients, based on active expansion of non-banking and global business operations.

Before we can proceed with the stock transfer, the proposed stock transfer plan must be approved at an extraordinary general meeting of our shareholders to be held on the fifth floor of the Woori Bank Head Office Building, 51, Sogong-ro, Jung-gu, Seoul, Korea on , 2018 at a.m. local time. At the extraordinary general meeting of our shareholders, the shareholders will vote on the approval of the stock transfer plan and the approval of certain other matters as described in this prospectus.

This prospectus has been prepared for our shareholders and holders of our American depositary shares residing in the United States to provide information about the proposed stock transfer and the extraordinary general meeting of our shareholders. **We encourage you to read this document in its entirety, including the section entitled Risk Factors that begins on page 7.**

Holders of our common stock will be entitled to attend and vote, either in person or by proxy, at the extraordinary general meeting if they are recorded on our shareholder register on , 2018, which is days prior to the date of the meeting. Holders of our American depositary shares will be entitled to instruct Citibank, N.A., as depositary, as to how to vote their underlying shares of our common stock at the extraordinary general meeting in accordance with the procedures set forth in this prospectus, if those holders were recorded on such depositary s register on , 2018.

Your vote is important, regardless of the number of shares you own. On behalf of our board of directors, I urge you to vote in favor of the stock transfer.

Tae-Seung Sohn

President and Chief Executive Officer

Woori Bank

WE ARE NOT ASKING YOU FOR A PROXY AND

YOU ARE REQUESTED NOT TO SEND US A PROXY.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in connection with the stock transfer or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus is dated , 2018 and is expected to be first mailed to shareholders on or about such date.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form F-4 to register with the U.S. Securities and Exchange Commission, or the SEC, our common stock to be delivered in connection with the stock transfer. This prospectus is a part of that registration statement. As allowed by SEC rules, this prospectus does not contain all the information you can find in the registration statement or the exhibits to the registration statement.

We are subject to the information reporting requirements of the U.S. Securities Exchange Act of 1934 and, in accordance therewith, are required to file reports, including annual reports on Form 20-F, and other information with the SEC. These materials, including annual reports and the exhibits thereto, may be read and copied at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 by calling the SEC at 1-800-SEC-0330. We are also required to make filings with the SEC by electronic means. Any filings we make electronically will be available to the public over the Internet at the SEC s website at *http://www.sec.gov*.

The SEC permits us to incorporate by reference information into this prospectus. This means that we can disclose important information to you by referring to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except for any information superseded by information contained directly in this prospectus.

This prospectus incorporates by reference the documents set forth below that have been previously filed with or furnished to the SEC. These documents contain important information about us and our financial condition.

WOORI BANK SEC FILINGS **(COMMISSION FILE NO. 1-31811; CIK NO. 0001264136)**	**FILING DATE**
Annual Report on Form 20-F for the fiscal year ended December 31, 2017	April 30, 2018

We also incorporate by reference into this prospectus additional documents that we may file with the SEC from the date of this prospectus to the date of the extraordinary general meeting. These include any amendments to our annual report on Form 20-F, as well as any of our current reports on Form 6-K specifically identified as being incorporated by reference into this prospectus.

Documents incorporated by reference are available without charge, excluding all exhibits unless an exhibit has been specifically incorporated by reference into this prospectus. Shareholders may obtain documents incorporated by reference into this prospectus from the SEC, as described above, or by requesting them in writing, by telephone or by e-mail from us at the following address:

Woori Bank

Investor Relations Department

51, Sogong-ro, Jung-gu

Seoul 04632, Korea

Telephone: +82-2-2125-2337

Facsimile: +82-505-003-2512

e-mail: woori.ir@wooribank.com

If you would like to request documents from us, please do so by , 2018 in order to receive them before the extraordinary general meeting.

You should rely only on the information contained in this prospectus to vote on the stock transfer. We have not authorized anyone to provide you with information different from that contained in the prospectus. This prospectus is dated , 2018. You should not assume that the information contained in this prospectus is accurate as of any other date. Neither the mailing of this prospectus, nor the delivery of shares of our common stock, cash or other consideration should be deemed to create any implication to the contrary.

Table of Contents

TABLE OF CONTENTS

Table of Contents

TABLE OF CONTENTS

(continued)

Table of Contents

TABLE OF CONTENTS

(continued)

Table of Contents

NOTES

Our fiscal year ends on December 31 of each year. All references to a particular year are to the year ended December 31 of that year.

Unless otherwise indicated, the financial information presented in this document has been prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or the IASB.

Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

References to Korea are to the Republic of Korea.

CURRENCIES AND EXCHANGE RATES

All references to Won ~~or~~ W in this prospectus are to the currency of Korea, and all references to Dollars, U.S. dollars $ or U.S.$ are to the currency of the United States of America.

The tables below set forth, for the periods and dates indicated, information concerning the noon buying rate for Won, expressed in Won per one U.S. dollar. The noon buying rate is the rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise stated, translations of Won amounts into U.S. dollars in this prospectus were made at the noon buying rate in effect on June 30, 2018 which was ₩1,111.8 to U.S.$1.00. We do not intend to imply that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate, or at all. On , 2018, the noon buying rate was ₩ = U.S.$1.00.

	Won per U.S. dollar (noon buying rate)			
	Low	High	Average(1)	Period-End
2013	1,050.1	1,161.3	1,094.7	1,055.3
2014	1,008.9	1,117.7	1,052.3	1,090.9
2015	1,063.0	1,196.4	1,131.0	1,169.3
2016	1,090.0	1,242.6	1,159.3	1,203.7
2017	1,067.4	1,207.2	1,129.0	1,067.4
2018 (through)				
First six months of 2018	1,054.6	1,122.0	1,078.9	1,111.8
January	1,057.6	1,073.6	1,065.6	1,068.3
February	1,065.3	1,093.0	1,078.5	1,082.1
March	1,060.3	1,081.3	1,069.9	1,061.0
April	1,054.6	1,083.0	1,068.0	1,069.1
May	1,065.4	1,082.8	1,076.7	1,080.8
June	1,065.9	1,122.0	1,094.4	1,111.8
July	1,111.4	1,136.4	1,122.2	1,112.8
August	1,105.1	1,135.3	1,120.4	1,116.5
(through)				

Source: Federal Reserve Bank of New York

(1) The average rate for each full year or six-month period is calculated as the average of the noon buying rates on the last business day of each month during the relevant period. The average rate for a full month is calculated as the average of the noon buying rates on each business day during the relevant month (or portion thereof).

Table of Contents

SUMMARY

This summary highlights the material information appearing in this prospectus. However, it may not contain all of the information that is important to you. You should carefully read the entire prospectus for a complete understanding of the proposed stock transfer. In particular, you should read the documents attached to this prospectus, including the stock transfer plan, and the other documents to which this prospectus refers you. See Where You Can Find More Information.

Woori Bank

51, Sogong-ro, Jung-gu

Seoul 04632, Korea

Telephone: +82-2-2125-2337

We are one of the largest commercial banks in Korea. Our operations include a broad range of businesses, including corporate banking, consumer banking, credit card operations, investment banking, capital markets activities and other businesses. We provide a wide range of products and services to our customers, which mainly comprise small- and medium-sized enterprises and individuals, as well as some of Korea s largest corporations. As of December 31, 2017, we had, on a consolidated basis, total assets of ₩316,295 billion, total liabilities of ₩295,730 billion and total equity of ₩20,565 billion.

The Stock Transfer (see page 18)

We plan to adopt a financial holding company structure for our bank pursuant to a comprehensive stock transfer under Article 360-15 of the Korean Commercial Code. In the stock transfer, holders of our common stock will transfer all of their shares of our common stock to a new holding company, Woori Financial Group, which will be established simultaneously with such transfer. As consideration for the shares of our common stock, Woori Financial Group will issue shares of its common stock to holders of our common stock. In the stock transfer, each holder of one share of our common stock will receive one share of Woori Financial Group common stock. Holders of our American depositary shares, each of which represents three shares of our common stock, will receive one Woori Financial Group American depositary share for every American depositary share they own (subject to payment of certain applicable depositary fees).

Holders of our American depositary shares (all of which have been issued in uncertificated form) do not need to take any action in order to exchange their American depositary shares for Woori Financial Group American depositary shares. For a more complete description of the procedure for exchanging our American depositary shares for Woori Financial Group American depositary shares in the stock transfer, see The Stock Transfer Exchange of Woori Bank Common Stock and American Depositary Shares for Woori Financial Group Common Stock and American Depositary Shares.

In addition to the Woori Financial Group common stock and American depositary shares issued in exchange for our outstanding common stock and American depositary shares in the stock transfer, Woori Financial Group will issue its common stock to us in exchange for the outstanding common stock of certain of our wholly-owned subsidiaries that will become wholly-owned direct subsidiaries of Woori Financial Group. Specifically, in connection with the stock transfer, we will transfer all shares of common stock held by us of Woori FIS Co., Ltd., Woori Finance Research Institute Co., Ltd., Woori Credit Information Co., Ltd., Woori Fund Services Co., Ltd. and Woori Private Equity Asset

Management Co., Ltd., all of which are our wholly-owned subsidiaries, to Woori Financial Group. As consideration for such transferred shares, Woori Financial Group will issue shares of its common stock to us in accordance with the specified stock transfer ratio applicable to each such subsidiary. Following such stock transfer, Woori Financial Group will own 100% of the outstanding common stock of all such subsidiaries participating in the stock transfer, and each such subsidiary participating in the stock transfer will become a wholly-owned direct subsidiary of Woori Financial Group.

Table of Contents

Our organizational structure as of March 31, 2018 is illustrated by the following chart:

Woori Financial Group s organizational structure after giving effect to the stock transfer is illustrated by the following chart:

Ownership of Woori Financial Group after the Stock Transfer

In connection with the stock transfer, Woori Financial Group will issue approximately 676,000,000 shares of its common stock to holders of our common stock. Assuming that we do not acquire any shares of our common stock prior to the date of the stock transfer as a result of the exercise by dissenting shareholders of appraisal rights or otherwise, immediately following the stock transfer, former holders of our common stock will own approximately 99.39% of the issued common stock of Woori Financial Group, and we will become a wholly-owned subsidiary of Woori Financial Group.

In connection with the transfer of common stock of certain of our subsidiaries to Woori Financial Group, Woori Financial Group will issue approximately 4,164,306 shares of its common stock to us. Assuming that we do not acquire any shares of our common stock prior to the date of the stock transfer as a result of the exercise by dissenting shareholders of appraisal rights or otherwise, immediately following the stock transfer, we will hold approximately 0.61% of the issued common stock of Woori Financial Group. Under Korean law, we will be required to dispose of such shares of Woori Financial Group common stock held by us within six months from the date of the stock transfer.

Dissent and Appraisal Rights (see page 23)

Under Korean law, subject to certain conditions, holders of shares of our common stock who oppose the stock transfer may exercise appraisal rights and require us to purchase their shares if the stock transfer is completed. However, holders of our American depositary shares opposing the stock transfer will not have any appraisal rights. In order for shareholders to exercise such right, dissenting shareholders, among other things, must have acquired their shares prior to June 19, 2018 and must submit to us a written notice of their dissent by the day prior to the extraordinary general meeting and, within 10 days of such meeting, request that their shares be repurchased.

If the stock transfer is completed, we expect to pay ₩16,079 for each share of our common stock properly submitted to us for appraisal. For a more complete description of the appraisal rights, see The Stock Transfer Dissent and Appraisal Rights.

Conditions to the Completion of the Stock Transfer (see page 22)

Under the stock transfer plan, the completion of the stock transfer is subject to the following:

- we must obtain from the Financial Services Commission approval of the establishment of a financial holding company under Article 3 of the Financial Holding Company Act; and

- in the event the number of shares of our common stock for which appraisal rights are exercised exceeds 15% of the total issued shares of our common stock, we may suspend the stock transfer and amend the stock transfer plan.

The Extraordinary General Meeting (see page 15)

The extraordinary general meeting of our shareholders will be held on the fifth floor of the Woori Bank Head Office Building, 51, Sogong-ro, Jung-gu, Seoul, Korea on , 2018 at a.m. local time. The agenda for the meeting is the approval of the stock transfer plan (including the proposed articles of incorporation of Woori Financial Group and the nominees for directors of Woori Financial Group, including those who will serve as members of the Audit Committee of the board of directors).

The approval of the stock transfer plan will require a special resolution adopted by the affirmative vote of at least two-thirds of the shares of our common stock present or represented at the meeting. The shares voting to approve the stock transfer plan must also represent at least one-third of the total issued and outstanding shares of our common stock. Each share of common stock present or represented at the meeting will be entitled to one vote.

Interests of Directors and Officers in the Stock Transfer (see page 21)

You should be aware that a number of our directors and officers may have interests in the stock transfer that are different from, or in addition to, your interests as a Woori Bank shareholder. For a description of these interests, see The Stock Transfer Interests of Certain Directors and Executive Officers in the Stock Transfer.

Accounting Treatment of the Stock Transfer (see page 22)

Under IFRS, we expect that the stock transfer transaction will be accounted for as a transaction among entities under common control applying the pooling of interests method of accounting. Upon the completion of

4

the stock transfer, Woori Financial Group will initially recognize the transferred assets and liabilities at their book value as of the date of the stock transfer in its consolidated financial statements, and no goodwill will be recognized in connection with the transaction.

U.S. Income Tax Consequences of the Stock Transfer (see page 22)

The exchange of Woori Bank common stock or American depositary shares for corresponding interests in Woori Financial Group will not be a taxable transaction for U.S. tax purposes. If you exercise your appraisal rights for your shares of our common stock and we purchase such shares for cash, the transaction will be treated for U.S. tax purposes as a taxable sale of your shares. See Tax Considerations United States Taxation.

Regulatory Matters (see page 22)

We are working to obtain all necessary regulatory approvals required under Korean and other laws and regulations in connection with the stock transfer and the establishment of Woori Financial Group as a new financial holding company. We have submitted a stock transfer report to the Financial Services Commission and the Korea Exchange, pursuant to the Financial Investment Services and Capital Markets Act and related regulations, on June 19, 2018. We have also submitted an application for approval of the establishment of a financial holding company, pursuant to the Financial Holding Company Act, to the Financial Services Commission of Korea on July 20, 2018.

Completion and Effectiveness of the Stock Transfer (see page 22)

We will complete the stock transfer when all the conditions to completion of the stock transfer are satisfied, including the approval of the stock transfer by our shareholders and the relevant Korean regulatory authorities and the absence of any suspension of the stock transfer by us as a result of the exercise of appraisal rights in respect of more than 15% of the total issued shares of our common stock. See The Stock Transfer Conditions to the Completion of the Stock Transfer. The stock transfer will become effective when we register the incorporation of Woori Financial Group with the commercial registry office of the Seoul Central District Court, pursuant to the applicable requirements of Korean law. We expect to complete the stock transfer in the first quarter of 2019.

Stock Exchange Listings (see page 23)

We expect to apply to list the Woori Financial Group common stock on the KRX KOSPI Market of the Korea Exchange and to list the Woori Financial Group American depositary shares on the New York Stock Exchange. We expect that trading of our common stock on the KRX KOSPI Market of the Korea Exchange will be suspended commencing from approximately days prior to the date of the stock transfer, and that the listing of the Woori Financial Group common stock on the KRX KOSPI Market of the Korea Exchange will not occur until approximately days after the stock transfer is completed. Shareholders will not be able to trade their shares of Woori Financial Group common stock until such listing occurs. We also expect that the listing of the Woori Financial Group American depositary shares on the New York Stock Exchange will not occur until approximately days after the stock transfer is completed. Holders of such American depositary shares will not be able to trade their American depositary shares until such listing occurs.

Summary Market Price Information

Shares of our common stock are traded on the KRX KOSPI Market of the Korea Exchange and our American depositary shares are traded on the New York Stock Exchange. The table below lists the closing prices of our common stock and American depositary shares on June 18, 2018, the last trading day before the public announcement of the proposed stock transfer, and on , 2018.

	June 18, 2018	, 2018
Common stock	₩ 16,350	₩
American depositary shares	$ 44.90	$

5

Table of Contents

Summary Financial Data

We present below per share data under IFRS regarding our net income, cash dividends declared and book value on a historical basis.

	As of or for the Year Ended December 31, 2017 Woori Bank (Historical)	
Net income per share		
Basic	₩	1,999
Diluted		1,999
Dividends per share		600(1)
Book value per share		25,767(2)

(1) Includes interim dividends of ₩100 per share of common stock declared and paid in August 2017.
(2) Calculated as equity attributable to common shareholders (owners equity (₩20,365,892 million) minus hybrid securities (₩3,017,888 million)), divided by the total number of outstanding shares of common stock (673,271,226), as of December 31, 2017.

Questions About the Stock Transfer

If you have any questions about the stock transfer or the voting procedures in connection with the extraordinary general meeting of our shareholders, you may contact:

if you are a holder of our common stock:

Woori Bank

Investor Relations Department

51, Sogong-ro, Jung-gu

Seoul 04632, Korea

Telephone: +82-2-2125-2337

Facsimile: +82-505-003-2512

e-mail: woori.ir@wooribank.com

if you are a holder of our American depositary shares:

Citibank, N.A.

Shareholder Services

P.O. Box 43077

Providence, RI 02940-3077

Telephone: 1-877-248-4237

e-mail: citibank@shareholders-online.com

Table of Contents

RISK FACTORS

As a result of the adoption of a financial holding company structure through the proposed stock transfer, our businesses will be subject to the following new or increased risks. In addition to the risks described below, we will continue to be subject to the risks described in the documents that we have filed with the SEC that are incorporated by reference into this prospectus. You should carefully consider the following risk factors as well as the other information contained or incorporated into this prospectus in deciding whether to vote in favor of the stock transfer.

Risks Relating to the Stock Transfer

The stock transfer is subject to various conditions and may not be completed as scheduled or at all.

Under the proposed stock transfer plan, the consummation of the stock transfer is subject to a number of conditions, including the absence of any suspension of the stock transfer by us as a result of the exercise of appraisal rights in respect of more than 15% of the total issued shares of our common stock. See The Stock Transfer Conditions to the Completion of the Stock Transfer. Under Korean law, our shareholders who oppose the stock transfer may exercise appraisal rights and require us to purchase their shares if the stock transfer is completed. In the event that the number of shares of our common stock for which appraisal rights are exercised exceeds 15% of the total issued shares of our common stock, we may not complete the stock transfer as contemplated or at all. Furthermore, regulatory authorities in Korea or elsewhere may seek to block or delay the stock transfer or may impose conditions that reduce the anticipated benefits of the stock transfer or make it difficult to complete as planned. Accordingly, even if the stock transfer is approved at the extraordinary general meeting of our shareholders, the stock transfer may not be completed as scheduled or at all. If the stock transfer is not completed, we would fail to realize the anticipated benefits of the new financial holding company structure that will be created pursuant to the stock transfer. For a description of the anticipated benefits of adopting a financial holding company structure, see The Stock Transfer Reasons for the Stock Transfer.

The exercise of appraisal rights in respect of a significant number of shares of our common stock could increase the costs of the stock transfer, reduce the capital of Woori Financial Group and hurt its financial condition.

Under Korean law, our shareholders who oppose the stock transfer may exercise appraisal rights and require us to purchase their shares if the stock transfer is completed. We expect to pay ₩16,079 for each share of our common stock properly submitted to us for appraisal, which is the purchase price for such shares determined in accordance with the formula prescribed under Korean law to be applied in the event that the dissenting shareholders and we fail to agree on a purchase price through negotiations. For a description of the method of calculating the purchase price for shares in respect of which appraisal rights have been exercised, see The Stock Transfer Dissent and Appraisal Rights. If shareholders exercise appraisal rights in respect of a significant number of our shares that does not exceed 15% of the total issued shares of our common stock, we will be required to complete the stock transfer by expending funds to purchase such shares, which could reduce or adversely affect the capital of Woori Financial Group and its financial condition.

Holders of our American depositary shares will not have any dissent and appraisal rights.

Our shareholders who oppose the stock transfer may exercise appraisal rights under Korean law and require us to purchase their shares if the stock transfer is completed. However, if you are a holder of our American depositary shares, you will not have any appraisal rights in respect of the stock transfer even if you oppose it. The deposit agreement for our American depositary shares facility does not require the depositary to take any action in respect of exercising dissent and appraisal rights.

Table of Contents

We may fail to realize the anticipated benefits of the stock transfer and the new financial holding company structure.

The success of the stock transfer and the new financial holding company structure that will be created pursuant to such stock transfer will depend, in large part, on the ability of Woori Financial Group to realize the anticipated synergies, growth opportunities and cost savings from coordinating and integrating the businesses of its various subsidiaries.

Although we plan to integrate our operations and our subsidiaries operations under the financial holding company structure, the subsidiaries of the new financial holding company, including us, will generally continue to operate as independent entities with separate management and staff. As a result, Woori Financial Group s ability to direct its subsidiaries day-to-day operations may be limited. In addition, the integration of Woori Financial Group s subsidiaries separate businesses and operations, as well as those of any companies it may acquire in the future, into the financial holding company structure could require a significant amount of time, financial resources and management attention. Moreover, that process could place a burden on our operations (including our risk management operations) or information technology systems and produce unintended inconsistencies in our standards, controls, procedures or policies. The realization of the anticipated benefits of our new financial holding company structure may be blocked, delayed or reduced as a result of many factors, some of which may be outside our control. These factors include:

- difficulties in integrating the diverse activities and operations of the subsidiaries of Woori Financial Group or any companies it may acquire, including risk management operations and information technology systems, personnel, policies and procedures;

- failure to leverage our financial holding company structure to realize operational efficiencies and to cross-sell multiple products and services;

- difficulties in reorganizing personnel, branches, networks and administrative functions;

- restrictions under the Korean Financial Holding Company Act and other regulations on transactions between the financial holding company and, or among, its subsidiaries;

- unforeseen contingent risks, including lack of required capital resources, increased tax liabilities or restrictions in our overseas operations, relating to the stock transfer and the financial holding company structure that may become apparent in the future; and

- unexpected business disruptions.

Accordingly, we may not be able to realize the anticipated benefits of the new financial holding company structure that will be created pursuant to the stock transfer, and our business, results of operations and financial condition may suffer as a result.

Our financial holding company will depend on limited forms of funding to fund its operations.

Woori Financial Group will have no significant assets other than the shares of its subsidiaries. Its primary sources of funding and liquidity will be dividends from its subsidiaries, sales of the interests in its subsidiaries and direct borrowings and issuances of equity or debt securities at the holding company level. In addition, as a financial holding company, Woori Financial Group will be required to meet certain minimum financial ratios under Korean law, including with respect to liquidity and capital adequacy. Woori Financial Group s ability to meet its obligations to its direct creditors and employees and its other liquidity needs and regulatory requirements will depend on timely and adequate distributions from its subsidiaries and its ability to sell its securities or obtain credit from its lenders.

The ability of the subsidiaries of Woori Financial Group, including us, to pay dividends to Woori Financial Group will depend on the financial condition and operating results of such subsidiaries. In the future, the subsidiaries may enter into agreements, such as credit agreements with lenders or indentures relating to high-yield or subordinated debt instruments, that impose restrictions on their ability to make distributions to Woori Financial Group, and the terms of future obligations and the operation of Korean law could prevent the subsidiaries from making sufficient distributions to Woori Financial Group to allow it to make payments on its outstanding obligations. See As a financial holding company, Woori Financial Group will largely depend on receiving dividends from its subsidiaries to pay dividends on its common stock. Any delay in receipt of or shortfall in payments to Woori Financial Group from its subsidiaries could result in Woori Financial Group s inability to meet its liquidity needs and regulatory requirements, including minimum liquidity and capital adequacy ratios, which may disrupt our operations at the holding company level.

In addition, creditors of Woori Financial Group will generally not be able to assert claims on the assets of the subsidiaries of Woori Financial Group. Furthermore, Woori Financial Group s inability to sell its securities or obtain funds from its lenders on favorable terms, or at all, could also result in Woori Financial Group s inability to meet its liquidity needs and regulatory requirements and may disrupt our operations at the holding company level.

As a financial holding company, Woori Financial Group will largely depend on receiving dividends from its subsidiaries to pay dividends on its common stock.

Since the principal assets at the holding company level will be the shares of its subsidiaries, Woori Financial Group s ability to pay dividends on its common stock will largely depend on dividend payments from those subsidiaries. Those dividend payments are subject to the Korean Commercial Code, the Bank Act and to regulatory limitations, generally based on capital levels and retained earnings, imposed by the various regulatory agencies with authority over those entities. The ability of Woori Financial Group s subsidiaries to pay dividends may be subject to regulatory restrictions to the extent that paying dividends would impair each of their non-consolidated profitability, financial condition or other cash flow needs. For example:

- under the Korean Commercial Code, dividends may only be paid out of distributable income, an amount which is calculated by subtracting the aggregate amount of a company s paid-in capital and certain mandatory legal reserves from its net assets, in each case as of the end of the prior annual period;

- under the Bank Act, a bank also must credit at least 10% of its net profit to a legal reserve each time it pays dividends on distributable income until that reserve equals the amount of its total paid-in capital; and

- under the Bank Act and the requirements of the Financial Services Commission, if a bank fails to meet its required capital adequacy ratio or otherwise subject to the management improvement measures imposed by the Financial Services Commission, then the Financial Services Commission may restrict the declaration and payment of dividends by that bank.

Woori Financial Group s subsidiaries may not continue to meet the applicable legal and regulatory requirements for the payment of dividends in the future. If they fail to do so, they may stop paying or reduce the amount of the dividends they pay to Woori Financial Group, which would have an adverse effect on its ability to pay dividends on its common stock.

Our directors and officers may have potential conflicts of interest in supporting the stock transfer.

Some of our directors and executive officers may have interests in the stock transfer that are different from, or in addition to, your interests. members of our board of directors (including our president and chief executive officer) and of our executive officers have been nominated to serve on Woori Financial Group s board of directors, which will be initially comprised of individuals. As of , 2018, the latest date for which such information is currently available, our directors and executive officers, together with their respective affiliates, beneficially owned approximately % of the outstanding shares of our common stock.

9

Table of Contents

The possibility of receiving compensation or other benefits in or following the stock transfer may have influenced these directors and officers in their support of the stock transfer. See The Stock Transfer Interests of Certain Directors and Executive Officers in the Stock Transfer.

Risks Relating to Woori Financial Group Common Stock and American Depositary Shares

There has been no prior market for the common stock or American depositary shares of Woori Financial Group, and the stock transfer may not result in an active or liquid market for Woori Financial Group common stock or American depositary shares.

Woori Financial Group will be formed as a new entity in connection with the stock transfer. Accordingly, there will be no public market for Woori Financial Group s common stock or American depositary shares prior to their issuance in connection with the stock transfer. We expect that Woori Financial Group will apply to list its common stock on the KRX KOSPI Market of the Korea Exchange and to list its American depositary shares on the New York Stock Exchange. However, we expect that such listings will not occur until some time after the stock transfer is completed. If you hold shares of Woori Financial Group common stock or Woori Financial Group American depositary shares, you may not be able to trade such shares until the relevant listing occurs. Furthermore, an active public market in Woori Financial Group common stock or American depositary shares may not develop or be sustained after their issuance. In addition, if a significant number of Woori Financial Group American depositary share holders withdraw the underlying shares of Woori Financial Group common stock from Woori Financial Group s American depositary share facility and no additional Woori Financial Group American depositary shares are issued, the liquidity of Woori Financial Group American depositary shares would be adversely affected.

The initial market price of Woori Financial Group common stock and Woori Financial Group American depositary shares immediately after their issuance is expected to be determined, among other things, by the market prices of our common stock and American depositary shares prior to the stock transfer. The initial market price of Woori Financial Group common stock and Woori Financial Group American depositary shares may not be indicative of prices that will prevail in the trading market. You may not be able to resell your Woori Financial Group common stock or American depositary shares at or above the initial market price. Market prices of Korean companies stock have been and continue to be volatile. Volatility in the price of Woori Financial Group common stock and American depositary shares may be caused by factors outside of our control and may be unrelated or disproportionate to Woori Financial Group s operating results.

Ownership of Woori Financial Group common stock is restricted under Korean law.

Under the Financial Holding Company Act, a single shareholder, together with its affiliates, is generally prohibited from owning more than 10% of the issued and outstanding shares of voting stock of a bank holding company such as Woori Financial Group that controls a nationwide bank, with the exception of certain shareholders that are non-financial business group companies, whose applicable limit is 4%. To the extent that the total number of shares of Woori Financial Group common stock (including those represented by American depositary shares) that you and your affiliates own together exceeds the applicable limits, you will not be entitled to exercise the voting rights for the excess shares, and the Financial Services Commission may order you to dispose of the excess shares within a period of up to six months. Failure to comply with such an order would result in a charge compelling performance of up to 0.03% of the book value of such shares per day until the date of disposal and an administrative fine of up to ₩100 million. See Supervision and Regulation of Woori Financial Group Principal Regulations Applicable to Financial Holding Companies Restrictions on Ownership of a Financial Holding Company.

10

A holder of Woori Financial Group American depositary shares may not be able to exercise dissent and appraisal rights unless it has withdrawn the underlying shares of Woori Financial Group common stock and become its direct shareholder.

In some limited circumstances, including the transfer of the whole or any significant part of Woori Financial Group s business and the merger or consolidation of Woori Financial Group with another company, dissenting shareholders will have the right to require Woori Financial Group to purchase their shares under Korean law. However, holders of Woori Financial Group American depositary shares will not be able to exercise such dissent and appraisal rights if the depositary refuses to do so on their behalf. The deposit agreement to be entered into between Woori Financial Group and Citibank, N.A., as depositary, will not require the depositary to take any action in respect of exercising dissent and appraisal rights. In such a situation, holders of Woori Financial Group American depositary shares must withdraw the underlying common stock from the American depositary share facility (and incur charges relating to such withdrawal) and become Woori Financial Group s direct shareholders prior to the record date of the shareholders meeting at which the relevant transaction is to be approved, in order to exercise dissent and appraisal rights.

A holder of Woori Financial Group American depositary shares may be limited in its ability to deposit or withdraw common stock.

Under the terms of the deposit agreement to be entered into among us, Woori Financial Group and Citibank, N.A., as depositary, holders of Woori Financial Group common stock may deposit such stock with the depositary s custodian in Korea and obtain Woori Financial Group American depositary shares, and holders of such American depositary shares may surrender American depositary shares to the depositary for cancellation and receive Woori Financial Group common stock. However, to the extent that a deposit of common stock exceeds any limit that Woori Financial Group may specify from time to time, such common stock will not be accepted for deposit unless the consent of Woori Financial Group with respect to such deposit has been obtained. Woori Financial Group is not expected to set any such limit; however Woori Financial Group has the right to do so at any time. Under the terms of the deposit agreement, no consent will be required for deposit if the shares of common stock are obtained through a dividend, free distribution, rights offering or reclassification of such stock. Woori Financial Group is expected to agree to consent, under the terms of the deposit agreement, to any deposit unless the deposit would be prohibited by applicable laws or violate Woori Financial Group s articles of incorporation. If Woori Financial Group chooses to impose a limit on deposits in the future, however, Woori Financial Group may not consent to the deposit of any additional common stock. As a result, if a holder surrenders American depositary shares for cancellation and withdraws common stock, it may not be able to deposit the stock again to obtain American depositary shares.

A holder of Woori Financial Group common stock or American depositary shares will not have preemptive rights in some circumstances.

The Korean Commercial Code and Woori Financial Group s articles of incorporation will require Woori Financial Group, with some exceptions, to offer shareholders the right to subscribe for new shares of Woori Financial Group common stock in proportion to their existing shareholding ratio whenever new shares are issued. If Woori Financial Group offers any rights to subscribe for additional shares of its common stock or any rights of any other nature, the depositary, after consultation with Woori Financial Group, may make the rights available to holders of Woori Financial Group American depositary shares or use reasonable efforts to dispose of the rights on behalf of such holders and make the net proceeds available to such holders. The depositary will make rights to purchase any additional shares of Woori Financial Group common stock available to holders of Woori Financial Group American depositary shares only if:

Woori Financial Group has requested in a timely manner that those rights be made available to such holders;

the depositary has received the documents that are required to be delivered under the terms of the deposit agreement, which may include confirmation that a registration statement filed by Woori

Table of Contents

Financial Group under the U.S. Securities Act of 1933, as amended, or the Securities Act, is in effect with respect to those shares or that the offering and sale of those shares is exempt from or is not subject to the registration requirements of the Securities Act; and

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

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

Woori Financial Group will not be under any obligation to file any registration statement with the SEC or to endeavor to cause such a registration statement to be declared effective. Moreover, Woori Financial Group may not be able to establish an exemption from registration under the Securities Act. Accordingly, a holder of Woori Financial Group American depositary shares may be unable to participate in rights offerings by Woori Financial Group and may experience dilution in its holdings. If a registration statement is required for a holder of Woori Financial Group American depositary shares to exercise preemptive rights but is not filed by Woori Financial Group or is not declared effective, the holder will not be able to exercise its preemptive rights for additional American depositary shares and it will suffer dilution of its equity interest in Woori Financial Group. If the depositary is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or commercially feasible, it will allow the rights to lapse, in which case the holder will receive no value for these rights.

Dividend payments received by a holder on, and the amount a holder may realize upon a sale of, its Woori Financial Group American depositary shares will be affected by fluctuations in the exchange rate between the U.S. dollar and the Won.

We expect that the Woori Financial Group common stock will be listed on the KRX KOSPI Market and quoted and traded in Won. Cash dividends, if any, in respect of the shares represented by the Woori Financial Group American depositary shares will be paid to the depositary in Won and then converted by the depositary into U.S. dollars, subject to certain conditions. Accordingly, fluctuations in the exchange rate between the Won and the U.S. dollar will affect, among other things, the amounts a registered holder or beneficial owner of Woori Financial Group American depositary shares will receive from the depositary in respect of dividends, the U.S. dollar value of the proceeds which a holder or owner would receive upon sale in Korea of the shares of Woori Financial Group common stock obtained upon surrender of Woori Financial Group American depositary shares and the secondary market price of Woori Financial Group American depositary shares. Such fluctuations will also affect the U.S. dollar value of dividends and sales proceeds received by holders of Woori Financial Group common stock.

If the Korean government deems that emergency circumstances are likely to occur, it may restrict holders of Woori Financial Group common stock and the depositary from converting and remitting dividends and other amounts in U.S. dollars.

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

12

Table of Contents

A holder of Woori Financial Group common stock or American depositary shares may not be able to enforce a judgment of a foreign court against Woori Financial Group.

When established, Woori Financial Group will be a corporation with limited liability organized under the laws of Korea. We expect that substantially all of its directors and officers will reside in Korea, and all or a significant portion of the assets of such directors and officers and a substantial majority of Woori Financial Group s assets will be located in Korea. As a result, it may not be possible for holders of Woori Financial Group common stock or American depositary shares to effect service of process within the United States, or to enforce in the United States against Woori Financial Group or its directors and officers judgments obtained in United States courts based on the civil liability provisions of the federal securities laws of the United States. There may be doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated on the U.S. federal securities laws.

Table of Contents

FORWARD-LOOKING INFORMATION

The SEC encourages companies to disclose forward-looking information so that investors can better understand a company s future prospects and make informed investment decisions. This prospectus contains forward-looking statements, which may include statements regarding the period following completion of the stock transfer.

Words and phrases such as aim, anticipate, assume, believe, contemplate, continue, estimate, expect, intend, may, objective, plan, positioned, predict, project, risk, seek to, shall, should, will like words and terms of similar substance used in connection with any discussion of the proposed stock transfer or our future operating or financial performance identify forward-looking statements. All forward-looking statements are our management s present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. In addition to the risks related to our business, the factors relating to the stock transfer discussed under Risk Factors and the risks related to the business of Woori Financial Group, once it is formed and becomes operational, among others, could cause actual results to differ materially from those described in the forward-looking statements. These factors include, but are not limited to, failure to realize the anticipated benefits of the stock transfer and adverse regulatory developments. We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date they are made. Except as required by law, we are not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

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

Table of Contents

THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

Time, Place and Purpose

The extraordinary general meeting of our shareholders is scheduled to be held on the fifth floor of the Woori Bank Head Office Building, 51, Sogong-ro, Jung-gu, Seoul, Korea on , 2018 at a.m. local time. The extraordinary general meeting is being held so that the holders of our common stock can consider and vote upon a special resolution approving the stock transfer, whereby holders of our common stock will transfer all of their shares to a new financial holding company, Woori Financial Group, and in return receive shares of Woori Financial Group common stock.

Specifically, holders of our common stock will be asked to vote on a special resolution approving the stock transfer plan (including the proposed articles of incorporation of Woori Financial Group and the nominees for directors of Woori Financial Group, including those who will serve as members of the Audit Committee of the board of directors).

An English translation of the stock transfer plan, which includes the proposed articles of incorporation of Woori Financial Group and the list of our nominees for the directors of Woori Financial Group (including those who will also serve as members of the Audit Committee of the board of directors), is attached to this prospectus as Annex I. For information regarding such nominees, see Management of Woori Financial Group.

Voting Rights, Record Date and Votes Required

Holders of common stock recorded on our shareholder register as of the applicable record date will be entitled to attend and vote, either in person or by proxy, at the extraordinary general meeting. Our board of directors has fixed the close of business on , 2018 as the record date for the determination of the holders of our common stock entitled to notice of and to vote at the extraordinary general meeting. Each share of common stock present or represented at the meeting will be entitled to one vote.

The adoption of a special resolution at the extraordinary general meeting requires the affirmative vote of at least two-thirds of the shares of our common stock present or represented at the meeting. The shares voting affirmatively must also represent at least one-third of the total issued and outstanding shares of our common stock.

Holders of our common stock who are non-financial business group companies and hold an aggregate number of shares representing in excess of 4% of our total issued and outstanding common stock will not be allowed to vote the shares representing such excess.

Share Ownership of Directors and Executive Officers

As of , 2018, the latest date for which such information is currently available, our directors and executive officers and their affiliates owned, in the aggregate, shares of our common stock, which is approximately % of the shares of our common stock outstanding on that date. To our knowledge, our directors and executive officers intend to vote FOR approval of the stock transfer.

Voting by Proxy

Holders of our common stock may vote either in person at the extraordinary general meeting or by proxy. Shareholders who wish to vote their shares of common stock by proxy can do so through one of the following methods:

Voting through the Korea Securities Depository. Holders of our common stock will be entitled to instruct the Korea Securities Depository, as depository for our common stock issued in book-entry form, as to how to vote their shares of common stock at the extraordinary general meeting. A shareholder wishing to provide voting instructions to the Korea Securities Depository must:

if it has not received from its standing proxy in Korea a voting instruction form prepared by the Korea Securities Depository, ask the standing proxy to obtain and send the voting instruction form to the shareholder; and

complete the voting instruction form and return it to the shareholder s standing proxy in Korea **by no later than , 2018 (Seoul time)** (or such other date as set forth in such shareholder s agreement with its standing proxy), with instructions for the standing proxy to submit the voting instruction form to the Korea Securities Depository by the end of business on , 2018.

Although there is no guarantee, if the Korea Securities Depository receives a completed voting instruction form from a shareholder through its standing proxy on or prior to , 2018, the Korea Securities Depository will try to vote the shareholder s shares in accordance with the instructions of the shareholder, as far as practical and subject to the requirements of Korean law. Shareholders will be able to change their vote after they send in their voting instruction forms to the Korea Securities Depository, by attending the meeting and voting their shares in person or, if available, by requesting their respective standing proxies to attend the meeting and vote the shares by proxy as described below.

Voting through a Standing Proxy in Korea. Depending on the terms of its agreement with its standing proxy in Korea, a holder of our common stock may also be entitled to request the standing proxy to attend the extraordinary general meeting on behalf of the shareholder and vote the shareholder s shares by proxy in accordance with the shareholder s instructions. **Shareholders who wish to vote their shares of common stock in this manner should consult with their standing proxy.** Among other things, in order to vote its shares by proxy in this manner, a shareholder must deliver a power of attorney to its standing proxy authorizing it to vote the shares on behalf of the shareholder at the extraordinary general meeting. The standing proxy will be required to produce the original power of attorney at the meeting.

A shareholder may revoke a power of attorney after it is delivered and provide a different power of attorney to its standing proxy at any time prior to the extraordinary general meeting. A shareholder may also revoke any power of attorney and attend and vote directly at the extraordinary general meeting.

If you have further questions regarding your voting rights, you should contact your standing proxy in Korea, or us at:

Woori Bank

Investor Relations Department

51, Sogong-ro, Jung-gu

Seoul 04632, Korea

Telephone: +82-2-2125-2337

Facsimile: +82-505-003-2512

e-mail: woori.ir@wooribank.com

Voting Rights of Holders of Our American Depositary Shares

Holders of our American depositary shares recorded on the applicable register of Citibank, N.A., as depositary, as of the record date will be entitled to instruct the depositary as to how to vote the shares of our common stock represented by such holders American depositary shares at the extraordinary general meeting. Citibank, N.A. will mail a voting instruction card to holders of record of our American depositary shares as

Table of Contents

of , 2018. Voting instructions may be delivered to the depositary by completing, signing and delivering a voting instruction card to the depositary prior to the applicable cut-off date. For a holder s voting instructions to be valid, the depositary must receive the voting instruction card **by no later than 10:00 a.m. (New York Time) on , 2018**. Although there is no guarantee, the depositary will try to vote the shares of common stock represented by a holder s American depositary shares in accordance with the instructions of the holder, as far as practical and subject to the requirements of Korean law. Holders of our American depositary shares will be able to change their voting instructions after they send their voting instruction card with revised voting instructions to the depositary. However, such revised voting instructions will not be valid unless the depositary receives the new voting instruction card **by 10:00 a.m. (New York Time) on , 2018**.

In accordance with the terms of the deposit agreement for the American depositary shares, Citibank N.A. will, to the extent it does not receive timely voting instructions from any holders of our American depositary shares, vote the shares represented by such unvoted American depositary shares in the same manner and in the same proportion on each matter as the holders of all of the outstanding shares of our common stock present or represented at the extraordinary general meeting are voting on that matter.

Holders of our American depositary shares who hold an aggregate number of shares representing in excess of 4% of our total issued and outstanding common stock will not be allowed to vote the shares representing such excess.

If you are a holder of our American depositary shares and have further questions as to how to exercise your voting rights, you should contact the depositary at:

Citibank, N.A.

Shareholder Services

P.O. Box 43077

Providence, RI 02940-3077

Telephone: 1-877-248-4237

e-mail: citibank@shareholders-online.com

Table of Contents

THE STOCK TRANSFER

Background of the Stock Transfer

Our management has determined that it would be beneficial for us to reorganize our operations and those of certain of our subsidiaries under a financial holding company structure. We expect that the establishment of a new financial holding company will help lead to an efficient management structure that can effectively respond to external changes (such as changes in regulations and the earlier conversion of our competitor banks to financial holding company structures), a higher enterprise value achieved through enhanced profitability from the maximization of synergies among affiliated companies, and sustainable growth from the strengthening of customer convenience and other competitive factors.

Accordingly, on June 19, 2018, our board of directors approved a plan for a comprehensive stock transfer under Article 360-15 of the Korean Commercial Code, whereby holders of our common stock will transfer all of their shares to Woori Financial Group, a new financial holding company for our bank, and in return receive Woori Financial Group common stock. On , 2018, our board of directors resolved to further supplement the stock transfer plan, including with the list of persons to be nominated to serve as directors of Woori Financial Group.

Reasons for the Stock Transfer

The purpose of the stock transfer is to reorganize the different businesses of our bank (including certain of our subsidiaries) under a financial holding company structure whereby the financial holding company would become the parent company of our bank and certain of our subsidiaries.

We believe that the adoption of a financial holding company structure will help us increase customer satisfaction, generate synergies and maximize profitability, by creating an integrated system among our affiliated companies and allowing us to effectively provide various financial services, including comprehensive one-stop asset management services customized for clients, based on active expansion of non-banking and global business operations.

Once the stock transfer is completed, we and certain of our subsidiaries will become wholly-owned subsidiaries of a new financial holding company, Woori Financial Group.

Our organizational structure as of March 31, 2018 is illustrated by the following chart:

Table of Contents

Woori Financial Group s organizational structure after giving effect to the stock transfer is illustrated by the following chart:

We may decide to make further changes to our organizational structure after completion of the stock transfer as we seek to maximize management efficiency under the new financial holding company structure. For example, subsequent to the establishment of Woori Financial Group, we plan to review the conversion of certain of our remaining subsidiaries such as Woori Card Co., Ltd. and Woori Investment Bank Co., Ltd. as direct subsidiaries of Woori Financial Group. In addition, new companies may be added as subsidiaries of Woori Financial Group as strategically necessary through new establishments or acquisitions.

Exchange of Woori Bank Common Stock and American Depositary Shares for Woori Financial Group Common Stock and American Depositary Shares

In connection with the stock transfer, holders of our common stock will transfer all of their shares of our common stock to the new financial holding company, Woori Financial Group, which will be established simultaneously with such transfer. As consideration for the shares of our common stock, Woori Financial Group will issue shares of its common stock to the holders of our common stock. In the stock transfer, each holder of one share of our common stock will receive one share of Woori Financial Group common stock. Holders of our American depositary shares, each of which represents three shares of our common stock, will receive one Woori Financial Group American depositary share for every American depositary share they own.

Prior to the date when the stock transfer becomes effective, the holders of our common stock must surrender their shares of our common stock to us, in our capacity as the transfer agent for the stock transfer, in the case of holders of shares of our common stock in certificated form. Any such common stock share certificates not surrendered will become invalid following the stock transfer. In the case of shares of our common stock deposited with the Korea Securities Depository and held by our shareholders in book-entry form, the Korea Securities Depository will cancel our deposit eligibility once the stock transfer is completed and cancel the share certificates for such shares, and no action regarding a surrender will be required by the holders of such shares. We expect that our common stock will be suspended from trading on the KRX KOSPI Market of the Korea Exchange starting from such date as designated by the Korea Exchange, which must be prior to the end of the period during which the shares of our common stock must be surrendered and/or cancelled. On the effective date of the stock transfer, the newly issued shares of Woori Financial Group common stock will be deposited with the Korea Securities Depository, which will be the clearing agency for such stock, and the Korea Securities

Table of Contents

Depository will register the newly issued shares of Woori Financial Group common stock in book-entry form in the names of the holders of our common stock of record as of the effective date of the stock transfer as consideration for the shares of our common stock previously surrendered or cancelled.

When the Woori Financial Group common stock issued in respect of our common stock underlying our American depositary shares is credited to the account of Citibank, N.A., as depositary, at the Korea Securities Depository, the Korea Securities Depository will notify Citibank, N.A. of such deposit. The Deposit Agreement, under which our American depositary shares are issued, will be amended and restated as the Second Amended and Restated Deposit Agreement, effective as of the effective date of the stock transfer. We describe such deposit agreement under Description of Woori Financial Group s American Depositary Shares. Citibank, N.A. will then exchange our American depositary shares for Woori Financial Group American depositary shares.

To receive Woori Financial Group American depositary shares upon the effectiveness of the stock transfer, you do not need to take any action. Citibank, N.A. will mail a notice to registered holders of our American depositary shares informing them of the exchange of their American depositary shares for Woori Financial Group American depositary shares as well as a statement detailing the number of Woori Financial Group American depositary shares registered in their name. The Woori Financial Group American depositary shares will be issued as uncertificated American depositary shares, which are American depositary shares not evidenced by American depositary receipts.

Holders of our American depositary shares who hold the American depositary shares through The Depository Trust Company, or DTC, do not need to take any action in order to exchange their American depositary shares for Woori Financial Group American depositary shares. DTC, which is the clearing agency for our American depositary shares, will surrender our outstanding American depositary shares to Citibank, N.A. In exchange, Citibank, N.A. will deliver Woori Financial Group American depositary shares to DTC, which will credit the newly issued Woori Financial Group American depositary shares to the accounts of its participants to which our American depositary shares are credited as of the close of business on the day prior to the effective date of the stock transfer.

Citibank, N.A., as depositary for the American depositary shares, may and intends to charge depositary fees for the cancellation of our American depositary shares (up to U.S.$0.05 per American depositary share cancelled) and for the issuance of Woori Financial Group American depositary shares (up to U.S.$0.05 per American depositary share issued) to the holders of our American depositary shares (as of the close of business on the day prior to the effective date of the stock transfer), unless Citibank, N.A., Woori Bank and Woori Financial Group agree to waive the payment of all or a portion of such fees by the holders of American depositary shares. Any depositary fees payable by holders of American depositary shares will be charged by the DTC participants to the accounts of the beneficial owners of our American depositary shares (as of the close of business on the day prior to the effective date of the stock transfer), and will be remitted to Citibank, N.A., as depositary for the American depositary shares, by DTC and its participants on behalf of the beneficial owners.

Table of Contents

Exchange of Common Stock of Woori Bank s Subsidiaries for Woori Financial Group Common Stock

In connection with the stock transfer, we will transfer all shares of common stock held by us of Woori FIS, Woori Finance Research Institute, Woori Credit Information, Woori Fund Services, Woori Private Equity Asset Management, all of which are our subsidiaries, to Woori Financial Group. As a result of the transfer, Woori Financial Group will own 100% of the outstanding common stock of all such subsidiaries participating in the stock transfer. As consideration for the shares of such subsidiaries common stock, Woori Financial Group will issue shares of its common stock to us. In the stock transfer, we will receive, for each share of common stock of the following subsidiaries, which will become wholly-owned subsidiaries of Woori Financial Group, such number of shares of Woori Financial Group common stock as set forth below as the applicable stock transfer ratio:

Subsidiaries Subject to Stock Transfer	Total Number of Shares of Subsidiary s Issued Common Stock	Stock Transfer Ratio	Total Number of Shares of Woori Financial Group Common Stock to Be Issued to Us[(1)]
Woori FIS	4,900,000	0.2999709	1,469,857
Woori Finance Research Institute	600,000	0.1888161	113,289
Woori Credit Information	1,008,000	1.1037294	1,112,559
Woori Fund Services	2,000,000	0.4709031	941,806
Woori Private Equity Asset Management	6,000,000	0.0877992	526,795

(1) We will not receive any fractional shares of Woori Financial Group common stock as a result of the stock transfer. Pursuant to applicable Korean laws, all fractional shares of Woori Financial Group common stock to be issued to us will be aggregated and, excluding any fraction of such aggregate amount, will be sold by Woori Financial Group at the closing price on the date of its listing on the KRX KOSPI Market of the Korea Exchange. We will receive the proceeds from such sale.

Each of the aforementioned stock transfer ratios may be changed only with the approval of our board of directors and those of all of the above subsidiaries, if (i) the capital structure of an entity is changed due to certain events, such as the issuance of new shares of capital stock, or (ii) certain events occur which would make it reasonable to change the ratio.

Interests of Certain Directors and Executive Officers in the Stock Transfer

You should be aware that a number of our directors and officers may have agreements or arrangements that provide them with interests in the stock transfer that differ from those of our shareholders. Our board of directors was aware of these interests during its deliberations of the merits of the stock transfer.

Governance Structure and Management Positions. Pursuant to the terms of the stock transfer, upon completion of the stock transfer and the formation of Woori Financial Group, the board of directors of Woori Financial Group will be initially comprised of individuals. members of our board of directors (including our president and chief executive officer) and of our executive officers have been nominated to serve on Woori Financial Group s board of directors. See Management of Woori Financial Group.

Stock Ownership. As of , 2018, the latest date for which such information is currently available, our directors and executive officers, together with their respective affiliates, beneficially owned shares representing approximately % of the outstanding shares of our common stock.

Table of Contents

Conditions to the Completion of the Stock Transfer

Under the stock transfer plan, the completion of the stock transfer is subject to the following:

- we must obtain from the Financial Services Commission approval of the establishment of a financial holding company under Article 3 of the Financial Holding Company Act; and

- in the event the number of shares of our common stock for which appraisal rights are exercised exceeds 15% of the total number of issued shares of our common stock, we may suspend the stock transfer and amend the stock transfer plan.

Under Korean law, our shareholders who oppose the stock transfer may exercise appraisal rights and require us to purchase their shares if the stock transfer is completed. See Dissent and Appraisal Rights.

Completion and Effectiveness of the Stock Transfer

We will complete the stock transfer when all the conditions to completion of the stock transfer are satisfied, including the approval of the stock transfer by our shareholders and the relevant Korean regulatory authorities, and the absence of any suspension of the stock transfer by us as a result of the exercise of appraisal rights in respect of more than 15% of the total issued shares of our common stock. See Conditions to the Completion of the Stock Transfer. The stock transfer will become effective when we register the incorporation of Woori Financial Group with the commercial registry office of the Seoul Central District Court, pursuant to the applicable requirements of Korean law. We expect to complete the stock transfer in the first quarter of 2019.

U.S. Income Tax Consequences of the Stock Transfer

The exchange of Woori Bank common stock or American depositary shares for corresponding interests in Woori Financial Group will not be a taxable transaction for U.S. tax purposes. In general, U.S. holders will not recognize gain or loss for U.S. tax purposes when they exchange our common stock or American depositary shares for Woori Financial Group common stock or American depositary shares pursuant to the stock transfer. A U.S. holder s tax basis in Woori Financial Group common stock or American depositary shares received in the stock transfer will equal the U.S. holder s tax basis in our common stock or American depositary shares exchanged, and a U.S. holder s holding period in Woori Financial Group common stock or American depositary shares received will include the holder s holding period in our common stock or American depositary shares exchanged. If you exercise your appraisal rights for your shares of our common stock and we purchase such shares for cash, the transaction will be treated for U.S. tax purposes as a taxable sale of your shares. See Tax Considerations United States Taxation.

Accounting Treatment of the Stock Transfer

The stock transfer transaction involving our shareholders is a transaction among entities under common control, for which there is no specifically applicable accounting standard under IFRS. In the absence of an IFRS accounting standard that specifically applies to a transaction, the management of the relevant company must use its judgment in developing and applying an accounting policy in accordance with paragraphs 10 and 11 of International Accounting Standard 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. In making such judgment, the management of the company may consider similar accounting standards and accepted industry practices, and accordingly, we expect that the stock transfer transaction will be accounted for as a transaction among entities under common control applying the pooling of interests method of accounting. Upon the completion of the stock transfer, Woori Financial Group will initially recognize the transferred assets and liabilities at their book value as of the date of the stock transfer in its consolidated financial statements, and no goodwill will be recognized in connection with the transaction.

Regulatory Matters

We have summarized below the material regulatory requirements affecting the stock transfer and the establishment of Woori Financial Group as a new financial holding company. Although we have not yet received

22

Table of Contents

all of the required approvals we discuss, we anticipate that we will receive them in time to complete the stock transfer in January 2019.

Establishment of a Financial Holding Company

Under the Financial Holding Company Act, we are required to obtain an approval from the Financial Services Commission for the establishment of a financial holding company in connection with the stock transfer. We submitted an application to the Financial Services Commission on July 20, 2018 for approval of the establishment of a financial holding company.

Stock Transfer Report

Under the Financial Investment Services and Capital Markets Act and related regulations, we are required to submit a stock transfer report to the Financial Services Commission and the Korea Exchange immediately upon any resolution by our board of directors to undertake a comprehensive stock transfer. We submitted the stock transfer report to the Financial Services Commission and the Korea Exchange on June 19, 2018, the date of the relevant resolution by our board of directors.

Stock Exchange Listings

We expect to apply to list the Woori Financial Group common stock on the KRX KOSPI Market of the Korea Exchange and to list the Woori Financial Group American depositary shares on the New York Stock Exchange. We expect that trading of our common stock on the KRX KOSPI Market of the Korea Exchange will be suspended commencing from approximately days prior to the date of the stock transfer, and that the listing of the Woori Financial Group common stock on the KRX KOSPI Market of the Korea Exchange will not occur until approximately days after the stock transfer is completed. Shareholders will not be able to trade their shares of Woori Financial Group common stock until such listing occurs. We also expect that the listing of the Woori Financial Group American depositary shares on the New York Stock Exchange will not occur until approximately days after the stock transfer is completed. Holders of such American depositary shares may not be able to trade their American depositary shares until such listing occurs.

Dissent and Appraisal Rights

Holders of our common stock who oppose the stock transfer will be entitled to appraisal rights under Korean law. Appraisal rights may be exercised with respect to all or a portion of the shares of our common stock owned by a shareholder as of , 2018, the record date for the extraordinary general meeting of shareholders. However, holders of our American depositary shares will not have any appraisal rights in respect of the stock transfer, since they are not holders of record of the underlying shares of our common stock.

Under the Korean Commercial Code, the Financial Investment Services and Capital Markets Act and the Financial Holding Company Act, in order to exercise the appraisal rights, a holder of our common stock must:

- be able to prove that the applicable shares owned by such shareholder were acquired prior to June 19, 2018 (or that, by the next business day after such date, (i) a purchase agreement for such shares had been executed, (ii) a loan agreement for such shares had been terminated, or (iii) a legal act relating to the acquisition of such shares had been taken), and that such shareholder has maintained the ownership of such shares from the next business day until the date of the exercise of such appraisal rights. Appraisal rights will be lost with respect to shares that were sold and then repurchased during such period;

provide written notice to us of such shareholder s dissent to the stock transfer, during the period from to , 2018, the day prior to the date of the

23

extraordinary general meeting (except that beneficial owners who have entrusted their shares to a securities company must provide written notice of their dissent to such securities company, by no later than three business days prior to the date of the extraordinary general meeting);

not vote their shares in favor of the stock transfer at the extraordinary general meeting; and

within 10 days after the date of the extraordinary general meeting, request that we purchase such shareholder s shares in a written statement specifying the class and the number of such shares, accompanied by the share certificates held by such shareholder (except that beneficial owners who have entrusted their shares to a securities company must submit an application to exercise appraisal rights to such securities company, by no later than two business days prior to the end of such 10-day period).

If the stock transfer is approved at the extraordinary general meeting, we will purchase the shares of each dissenting shareholder who has properly submitted a purchase request, within one month from the 10th day after the extraordinary general meeting. Shareholders wishing to exercise their appraisal rights must hold their shares until we purchase such shares within such one-month period. In the event that the number of shares of our common stock for which appraisal rights are exercised exceeds 15% of the total issued shares of our common stock, we may not complete the stock transfer, in which case we will not purchase any shares of dissenting shareholders. See Conditions to the Completion of the Stock Transfer.

Under Korean law, the purchase price for shares in respect of which appraisal rights have been exercised is to be determined through negotiation between the dissenting shareholders and us. However, if the dissenting shareholders and we fail to agree on a purchase price, Korean law provides that the purchase price will be calculated as the arithmetic average of the weighted average closing share prices of our common stock for (1) the two-month period, (2) the one-month period and (3) the one-week period ending immediately prior to June 19, 2018, the date our board of directors approved the stock transfer. The appraisal price to be paid by us was calculated as follows using the formula described above:

		Woori Bank Common Stock	
(1)	Two-month daily closing price weighted average	₩	15,822
(2)	One-month daily closing price weighted average		15,988
(3)	One-week daily closing price weighted average		16,427
Appraisal Price (arithmetic average of (1), (2) and (3))		₩	**16,079**

Under Korean law, if we or our shareholders owning 30% or more of the shares of our common stock in respect of which appraisal rights have been exercised do not accept the appraisal price calculated as set forth above, we or such shareholders may contest such appraisal price by submitting a request to adjust the price to Financial Services Commission within one month from the date of the extraordinary general meeting.

Notwithstanding the final appraisal price determined by the Financial Services Commission, dissenting shareholders may have the right to contest such final appraisal price in court.

24

Table of Contents

If you wish to find out more information about how to exercise your appraisal rights, you should contact your standing proxy in Korea, or us at the following address:

Woori Bank

Investor Relations Department

51, Sogong-ro, Jung-gu

Seoul 04632, Korea

Telephone: +82-2-2125-2337

Facsimile: +82-505-003-2512

e-mail: woori.ir@wooribank.com

The Stock Transfer Plan

We believe that the foregoing summary describes all material terms of the stock transfer plan. However, because the stock transfer plan is the primary legal document that governs the stock transfer, we urge you to read the full version of the stock transfer plan, which is attached as Annex I to this prospectus.

Articles of Incorporation of Woori Financial Group

The proposed articles of incorporation of Woori Financial Group, which are included as part of the stock transfer plan attached as Annex I to this prospectus, were prepared by us and are expected to be adopted at the time of the establishment of Woori Financial Group. For a summary of the material provisions of the proposed articles of incorporation of Woori Financial Group and the rights of shareholders of Woori Financial Group under the proposed articles of incorporation, see Description of Woori Financial Group s Capital Stock.

Table of Contents

INFORMATION ABOUT WOORI BANK

For information about us, including an overview of our business, organizational structure and property and a review of our operations and financial results, see our Annual Report on Form 20-F for the year ended December 31, 2017, which is incorporated by reference into this prospectus, as supplemented by the following. The following supplements certain information about us appearing under the headings corresponding to the headings below in our Annual Report on Form 20-F for the year ended December 31, 2017. If the information below differs from the information in our Annual Report on Form 20-F for the year ended December 31, 2017, you should rely on the information below.

Item 3. KEY INFORMATION

Item 3.A. *Selected Financial Data*

The selected consolidated financial and operating data set forth below have been derived from our unaudited consolidated interim financial statements as of June 30, 2018 and for the six-month periods ended June 30, 2017 and 2018, which have been prepared in accordance with IFRS as issued by the IASB.

IFRS 9 *Financial Instruments*, or IFRS 9, is effective for annual periods beginning on or after January 1, 2018 and replaces International Accounting Standard 39 *Financial Instruments: Recognition and Measurement*, or IAS 39. We have applied IFRS 9 in our unaudited consolidated interim financial statements as of and for the six-month period ended June 30, 2018 included elsewhere in this prospectus. As permitted by the transition rules of IFRS 9, our comparative unaudited consolidated interim financial statements as of December 31, 2017 and for the six-month period ended June 30, 2017 included elsewhere in this prospectus have not been restated to retroactively apply IFRS 9. For information regarding the impact of the application of IFRS 9 to our consolidated financial statements, see Item 5.A. Operating Results Changes in Accounting Standards below and Note 2-(1)-a) of the notes to our unaudited consolidated interim financial statements included elsewhere in this prospectus.

You should read the following data together with the more detailed information contained in Item 5. Operating and Financial Review and Prospects below and our unaudited consolidated interim financial statements included elsewhere in this prospectus. Our results of operations for the six-month period ended June 30, 2018 are not necessarily indicative of our results of operations for the full year 2018.

Table of Contents

Consolidated Statement of Comprehensive Income Data

	Six-month period ended June 30,		
	2017	2018	2018(1)
	(in billions of Won except per share data)		(in millions of U.S.$ except per share data)
Interest income	₩ 4,189	₩ 4,643	U.S.$ 4,176
Interest expense	(1,639)	(1,879)	(1,690)
Net interest income	2,550	2,764	2,486
Fees and commissions income	1,014	1,113	1,001
Fees and commissions expense	(476)	(510)	(459)
Net fees and commissions income	538	603	542
Dividend income	59	50	45
Net gain on financial instruments at fair value through profit or loss (IFRS 9)		117	105
Net loss on financial instruments at fair value through profit or loss (IAS 39)	(146)		
Net gain on financial assets at fair value through other comprehensive income		1	1
Net gain on available-for-sale financial assets	104		
Net gain arising on financial assets at amortized cost		31	28
Reversal of allowance for (impairment losses due to) credit loss	(284)	29	26
General and administrative expenses	(1,538)	(1,567)	(1,410)
Net other operating income (expenses)(2)	201	(220)	(197)
Operating income	1,484	1,808	1,626
Share of loss of joint ventures and associates	(64)	(2)	(2)
Net other non-operating income (expenses)	10	(5)	(4)
Non-operating loss	(54)	(7)	(6)
Net income before income tax expense	1,430	1,801	1,620
Income tax expense	(321)	(485)	(436)
Net income	₩ 1,109	₩ 1,316	U.S.$ 1,184
Net gain on valuation of equity securities at fair value through other comprehensive income	₩	₩ 31	U.S.$ 28
Net gain on valuation of financial liabilities designated as at fair value through profit or loss due to own credit risk	(3)	1	1

Items out of change in equity method securities due to change in equity of investee that will not be reclassified to profit or loss				
Remeasurement loss related to defined benefit plan	(10)	(59)		(53)
Items that will not be reclassified to profit or loss	(13)	(27)		(24)
Net gain on valuation of debt securities at fair value through other comprehensive income		10		9
Net loss on valuation of available-for-sale financial assets	(29)			
Share of other comprehensive gain of joint ventures and associates	5			
Gain (loss) on foreign currency translation of foreign operations	(68)	36		32
Net loss on valuation of cash flow hedge	(2)	(6)		(6)
Net loss on disposal of assets held for sale		(5)		(4)
Items that may be reclassified to profit or loss	(94)	35		31
Other comprehensive income (loss), net of tax	(107)	8		7
Total comprehensive income	₩ 1,002	₩ 1,324	U.S.$	1,191
Net income attributable to owners	1,098	1,306		1,175
Net income attributable to non-controlling interests	11	10		9
Comprehensive income attributable to owners	996	1,315		1,183
Comprehensive income attributable to non-controlling interests	6	9		8
Basic and diluted earnings per share	₩ 1,497	₩ 1,828	U.S.$	1.644

Table of Contents

	Six-month period ended June 30,		
	2017	2018	2018[(1)]
	(in billions of Won except per share data)		(in millions of U.S.$ except per share data)
Per common share data:			
Net income (loss) per share basic	₩ 1,497	₩ 1,828	U.S.$ 1.644
Weighted average common shares outstanding basic (in thousands)	673,271	673,271	673,271
Net income per share diluted	₩ 1,497	₩ 1,828	U.S.$ 1.644
Weighted average common shares outstanding diluted (in thousands)	673,271	673,271	673,271
Cash dividends paid per share	₩ 400	₩ 500	U.S.$ 0.45

(1) Won amounts are expressed in U.S. dollars at the rate of ₩1,111.8 to U.S.$1.00, the noon buying rate in effect on June 30, 2018 as quoted by the Federal Reserve Bank of New York in the United States.

(2) For a description of net other operating income (expenses), see Note 40 of the notes to our unaudited consolidated interim financial statements included elsewhere in this prospectus.

Table of Contents

Consolidated Statement of Financial Position Data

	As of December 31, 2017	As of June 30, 2018[1]	
	(in billions of Won)		(in millions of U.S.$)
Assets			
Cash and cash equivalents	₩ 6,908	₩ 5,920	U.S.$ 5,325
Financial assets at fair value through profit or loss (IFRS 9)		6,341	5,703
Financial assets at fair value through profit or loss (IAS 39)	5,843		
Financial assets at fair value through other comprehensive income		14,645	13,172
Available-for-sale financial assets	15,353		
Securities at amortized cost		17,702	15,922
Held-to-maturity financial assets	16,749		
Loans and other financial assets at amortized cost		277,720	249,793
Loans and receivables	267,106		
Investments in joint ventures and associates	417	413	371
Investment properties	371	381	343
Premises and equipment	2,478	2,451	2,204
Intangible assets and goodwill	519	653	588
Assets held for sale	49	19	17
Current tax assets	5	11	10
Deferred tax assets	280	90	81
Derivative assets	59	12	11
Other assets[2]	158	203	183
Total assets	₩ 316,295	₩ 326,561	U.S.$ 293,723
Liabilities			
Financial liabilities at fair value through profit or loss (IFRS 9)	₩	₩ 2,578	U.S.$ 2,319
Financial liabilities at fair value through profit or loss (IAS 39)	3,428		
Deposits due to customers	234,695	237,900	213,977
Borrowings	14,785	15,900	14,301
Debentures	27,869	26,753	24,063
Provisions	410	386	348
Net defined benefit liability	43	100	90
Current tax liabilities	233	154	139
Deferred tax liabilities	23	15	13
Derivative liabilities	68	68	61

Other financial liabilities[3]	13,892	21,408	19,255
Other liabilities[4]	284	303	272
Total liabilities	₩295,730	₩305,565	U.S.$ 274,838
Equity			
Owners equity			
Capital stock	₩ 3,381	₩ 3,381	U.S.$ 3,041
Hybrid securities	3,018	2,763	2,485
Capital surplus	286	286	257
Other equity[5]	(1,939)	(2,113)	(1,901)
Retained earnings	15,620	16,473	14,817
Non-controlling interests	199	206	186
Total equity	₩ 20,565	₩ 20,996	U.S.$ 18,885
Total liabilities and equity	₩316,295	₩326,561	U.S.$ 293,723

(1) Won amounts are expressed in U.S. dollars at the rate of ₩1,111.8 to U.S.$1.00, the noon buying rate in effect on June 30, 2018 as quoted by the Federal Reserve Bank of New York in the United States.

(2) For a description of other assets, see Notes 19 of the notes to our unaudited consolidated interim financial statements included elsewhere in this prospectus.

(3) For a description of other financial liabilities, see Note 25 of the notes to our unaudited consolidated interim financial statements included elsewhere in this prospectus.

Table of Contents

(4) For a description of other liabilities, see Note 25 of the notes to our unaudited consolidated interim financial statements included elsewhere in this prospectus.
(5) For a description of other equity, see Note 30 of the notes to our unaudited consolidated interim financial statements included elsewhere in this prospectus.

Profitability Ratios and Other Data

	Six-month period ended June 30,	
	2017	**2018**
	(in billions of Won, except percentages)	
Return on average assets[1]	0.71%	0.81%
Return on average equity[2]	10.60	12.50
Net interest spread[3]	1.66	1.74
Net interest margin[4]	1.71	1.78
Cost-to-income ratio[5]	50.63	56.35
Average equity as a percentage of average total assets	6.72	6.51
Total revenue[6]	₩ 5,220	₩ 5,955
Operating expense[7]	3,452	4,176
Operating margin[8]	1,768	1,779
Operating margin as a percentage of total revenue	33.87%	29.87%

(1) Represents annualized net income attributable to owners as a percentage of average total assets. Average balances are based on daily balances for us and on quarterly balances for all of our subsidiaries and our structured companies.
(2) Represents annualized net income attributable to owners as a percentage of average equity. Average balances are based on daily balances for us and on quarterly balances for all of our subsidiaries and our structured companies.
(3) Represents the difference between the annualized yield on average interest-earning assets and annualized cost of average interest-bearing liabilities.
(4) Represents the ratio of annualized net interest income to average interest-earning assets.
(5) Represents the ratio of non-interest expense (excluding impairment losses due to credit loss) to the sum of net interest income and non-interest income.
(6) Represents the sum of interest income, fees and commissions income, dividend income, net gain (loss) on financial instruments at fair value through profit or loss, net gain on financial assets at fair value through other comprehensive income and net gain arising on financial assets at amortized cost (or net gain (loss) on available-for-sale financial assets).

The following table shows how total revenue is calculated:

	Six-month period ended June 30,	
	2017	**2018**
	(in billions of Won)	
Interest income	₩ 4,189	₩ 4,643
Fees and commissions income	1,014	1,113
Dividend income	59	50
		117

Net gain on financial instruments at fair value through profit or loss (IFRS 9)		
Net loss on financial instruments at fair value through profit or loss (IAS 39)	(146)	
Net gain on financial assets at fair value through other comprehensive income		1
Net gain on available-for-sale financial assets	104	
Net gain arising on financial assets at amortized cost		31
Total revenue	₩ 5,220	₩ 5,955

(7) Represents interest expense, fees and commissions expense, general and administrative expense and net other operating income (expense), excluding reversal of allowance for (impairment losses due to) credit loss of ₩(284) billion and ₩29 billion for the six-month period ended June 30, 2017 and 2018, respectively.

Table of Contents

The following table shows how operating expense is calculated:

	Six-month period ended June 30, 2017	Six-month period ended June 30, 2018
	(in billions of Won)	
Interest expense	₩ 1,639	₩ 1,879
Fees and commissions expense	476	510
General and administrative expenses	1,538	1,567
Net other operating expenses (income)	(201)	220
Operating expense	₩ 3,452	₩ 4,176

(8) Represents total revenue less operating expense.

Asset Quality Data

	As of December 31, 2017	As of June 30, 2018
	(in billions of Won, except percentages)	
Total loans(1)	₩ 252,793	₩ 250,340
Total non-performing loans(2)	1,853	1,267
Other impaired loans not included in non-performing loans	374	723
Total non-performing loans and other impaired loans	2,227	1,990
Total allowance for credit losses	1,770	1,750
Non-performing loans as a percentage of total loans	0.73%	0.51%
Non-performing loans as a percentage of total assets	0.59	0.39
Total non-performing loans and other impaired loans as a percentage of total loans	0.88	0.79
Allowance for credit losses as a percentage of total loans	0.70	0.70

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

(2) Defined as those loans that are past due by 90 days or more or classified as substandard or below based on the Financial Services Commission s asset classification criteria. See Item 4.B. Business Overview Assets and Liabilities Asset Quality of Loans Loan Classifications of our Annual Report on Form 20-F for the year ended December 31, 2017, which is incorporated by reference into this prospectus.

Table of Contents

Selected Financial Information

Average Balances and Related Interest

The following tables show our average balances and interest rates for the six-month periods ended June 30, 2017 and 2018:

	Six-month period ended June 30, 2017			2018		
	Average Balance(1)	Interest Income	Average Yield(2)	Average Balance(1)	Interest Income	Average Yield(2)
	(in billions of Won, except percentages)					
Assets						
Interest-earning assets						
Due from banks	₩ 15,468	₩ 41	0.54%	₩ 17,036	₩ 61	0.72%
Loans(3)						
Commercial and industrial	94,737	1,531	3.24	98,337	1,660	3.38
Trade financing	12,169	113	1.86	11,760	149	2.54
Lease financing(4)	27	1	4.13	87	2	3.49
Other commercial	8,694	97	2.24	11,756	138	2.34
General purpose household(5)	65,091	1,101	3.38	70,881	1,264	3.56
Mortgage	47,924	695	2.90	47,655	747	3.14
Credit cards(6)	6,683	272	8.14	7,223	291	8.06
Total loans	235,325	3,810	3.24	247,699	4,251	3.44
Securities						
Trading(7)	2,691	27	2.00	3,959	29	1.46
Investment(8)	32,988	294	1.78	29,692	288	1.94
Total securities	35,679	321	1.80	33,651	317	1.88
Other	10,969	17	0.30	11,756	14	0.24
Total average interest-earning assets	297,441	4,189	2.82	310,142	4,643	3.00
Total average non-interest-earning assets	10,739			11,028		
Total average assets	₩ 308,180	₩ 4,189	2.72%	₩ 321,170	₩ 4,643	2.90%

	Six-month period ended June 30, 2017			2018		
	Average Balance(1)	Interest Expense	Average Cost(2)	Average Balance(1)	Interest Expense	Average Cost(2)
	(in billions of Won, except percentages)					

Liabilities						
Interest-bearing liabilities						
Deposits due to customers						
Demand deposits	₩ 8,176	₩ 26	0.64%	₩ 8,445	₩ 25	0.60%
Time and savings deposits	184,981	994	1.08	194,776	1,143	1.18
Certificates of deposit	4,192	36	1.72	4,383	42	1.92
Other deposits	24,188	118	0.98	26,386	149	1.12
Total deposits	221,537	1,174	1.06	233,990	1,359	1.16
Borrowings	18,512	116	1.26	14,907	130	1.74
Debentures	24,469	306	2.50	27,307	347	2.54
Other	18,990	43	0.46	19,875	43	0.44
Total average interest-bearing liabilities	283,508	1,639	1.16	296,079	1,879	1.26
Total average non-interest-bearing liabilities	3,958			4,196		
Total average liabilities	287,466	1,639	1.14	300,275	1,879	1.26
Total average equity	20,714			20,895		
Total average liabilities and equity	₩ 308,180	₩ 1,639	1.06%	₩ 321,170	₩ 1,879	1.18%

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

Table of Contents

(2) On an annualized basis.
(3) Not including other receivables, and prior to deducting allowance for credit losses and present value discount or reflecting deferred origination costs.
(4) Includes automobile lease financing to consumer borrowers.
(5) Includes home equity loans.
(6) Interest income from credit cards is derived from interest on credit card loans and credit card installment purchases.
(7) Includes financial assets at fair value through profit or loss.
(8) Includes financial assets at fair value through other comprehensive income and securities at amortized cost (or available-for-sale financial assets and held-to-maturity financial assets).

Analysis of Changes in Net Interest Income Volume and Rate Analysis

The following table provides an analysis of changes in interest income, interest expense and net interest income based on changes in volume and changes in rates, for the six-month period ended June 30, 2018 compared to the six-month period ended June 30, 2017. Information is provided with respect to: (1) effects attributable to changes in volume (changes in volume multiplied by prior rate) and (2) effects attributable to changes in rate (changes in rate multiplied by prior volume). Changes attributable to the combined impact of changes in rate and volume have been allocated proportionately to the changes due to volume changes and changes due to rate changes.

	First six months of 2018 vs. first six months of 2017 increase/(decrease) due to changes in		
	Volume	**Rate**	**Total**
		(in billions of Won)	
Interest-earning assets			
Due from banks	₩ 4	₩ 16	₩ 20
Loans[1]			
Commercial and industrial	58	71	129
Trade financing	(4)	40	36
Lease financing[2]	2	(1)	1
Other commercial	34	7	41
General purpose household[3]	98	65	163
Mortgage	(4)	56	52
Credit cards	22	(3)	19
Securities			
Trading[4]	13	(11)	2
Investment[5]	(29)	23	(6)
Other	1	(4)	(3)
Total interest income	₩ 195	₩ 259	₩ 454
Interest-bearing liabilities			
Deposits due to customers			
Demand deposits	₩ 1	₩ (2)	₩ (1)
Time and savings deposits	53	96	149
Certificates of deposit	2	4	6
Other deposits	11	20	31

Borrowings	(23)	37	14
Debentures	35	6	41
Other	2	(2)	
Total interest expense	₩ 81	₩ 159	₩ 240
Net interest income	₩ 114	₩ 100	₩ 214

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

(2) Includes automobile lease financing to consumer borrowers.

(3) Includes home equity loans.

(4) Includes financial assets at fair value through profit or loss.

(5) Includes financial assets at fair value through other comprehensive income and securities at amortized cost (or available-for-sale financial assets and held-to-maturity financial assets).

Table of Contents

Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Item 5.A. Operating Results

Overview

The following discussion is based on our unaudited consolidated interim financial statements, which have been prepared in accordance with IFRS as issued by the IASB. This discussion should be read together with our unaudited consolidated interim financial statements and related notes included elsewhere in this prospectus. Unless otherwise specified, the information provided below is stated on a consolidated basis.

Changes in Accounting Standards

IFRS 9, issued by the International Accounting Standard Board in July 2014, is a new accounting standard aimed at improving and simplifying the accounting treatment of financial instruments and is effective for annual periods beginning on or after January 1, 2018. IFRS 9 replaces IAS 39 and requires all financial assets to be classified and measured on the basis of an entity s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. A new impairment model is introduced which requires recording of allowance for credit losses based on expected credit losses instead of incurred losses (as was the case under IAS 39), and recognition of any subsequent changes in expected credit losses in profit or loss. Also, hedge accounting rules are amended to allow more hedging instruments and hedged items to qualify for hedge accounting. The impact on our financial statements due to the application of IFRS 9 depends on judgments made by us in applying the new standard, the nature of financial instruments held by us and macroeconomic variables.

We have applied IFRS 9 in our unaudited consolidated interim financial statements as of and for the six-month period ended June 30, 2018 included elsewhere in this prospectus. As permitted by the transition rules of IFRS 9, our comparative unaudited interim consolidated financial statements as of December 31, 2017 and for the six-month period ended June 30, 2017 included elsewhere in this prospectus have not been restated to retroactively apply IFRS 9.

The classification of financial assets in accordance with IAS 39 and IFRS 9 as of January 1, 2018 is as follows:

Account	**Classification according to IAS 39**	**(in billions of Won)**	**Classification according to IFRS 9**	**(in billions of Won)**
Deposit	Loans and receivables	₩ 8,871	Loans and other financial assets at amortized cost	₩ 8,871
Deposit	Financial assets at fair value through profit or loss	26	Financial assets at fair value through profit or loss	26
Debt securities	Financial assets at fair value through profit or loss	2,654	Financial assets at fair value through profit or loss(1)	2,654
Equity securities	Financial assets at fair value through profit or loss	47	Financial assets at fair value through profit or loss(1)	47
Derivatives		3,116		3,114

	Financial assets at fair value through profit or loss		Financial assets at fair value through profit or loss(1)	
Equity securities	Available-for-sale financial assets	1,274	Financial assets at fair value through profit or loss(1)	1,275
Equity securities	Available-for-sale financial assets	850	Financial assets at fair value through other comprehensive income	850
Debt securities	Available-for-sale financial assets	47	Financial assets at fair value through profit or loss	47

34

Table of Contents

Account	Classification according to IAS 39	(in billions of Won)	Classification according to IFRS 9	(in billions of Won)
Debt securities	Available-for-sale financial assets	12,874	Financial assets at fair value through other comprehensive income	12,874
Debt securities	Available-for-sale financial assets	308	Securities at amortized cost	322
Debt securities	Held-to-maturity financial assets	16,749	Securities at amortized cost	16,749
Loans	Loans and receivables	279	Financial assets at fair value through profit or loss[1]	280
Loans	Loans and receivables	253,014	Loans and other financial assets at amortized cost	253,014
Derivatives	Derivatives	60	Derivatives	60
Other financial assets	Loans and receivables	6,772	Loans and other financial assets at amortized cost	6,772
Total financial assets		₩ 306,941		₩ 306,955

(1) Under IAS 39, the embedded derivatives of hybrid financial instruments were accounted for as derivatives assets or liabilities if the criteria for separation of the embedded derivatives were met and the rest of the host contracts in those instruments were recorded as available-for-sale financial assets or loans and receivables. Since IFRS 9 requires financial instruments be accounted for based on the terms of the entire financial instrument, hybrid financial assets are revalued and recorded as financial assets at fair value through profit or loss.

For additional information regarding IFRS 9 and the impact of its application to our consolidated financial statements, see Note 2-(1)-a) of the notes to our unaudited consolidated interim financial statements included elsewhere in this prospectus.

Among other things, the application of IFRS 9 resulted in a one-off increase of ₩308 billion in our allowance for credit losses (and related decreases within our retained earnings) in the opening balances as of January 1, 2018 for our consolidated statement of financial position. The application of IFRS 9 may continue to result in higher impairment loss allowances that are recognized earlier, on a forward-looking basis and on a broader scope of financial instruments than was the case under IAS 39. In addition, the move from incurred to expected credit losses will have the potential to impact our performance under stressed economic conditions. Measurement requires increased complexity in our impairment modeling as it involves a greater degree of management judgment with respect to forward-looking information. We expect that impairment charges will tend to be more volatile as a result.

Table of Contents

Results of Operations

Net Interest Income

The following table shows, for the periods indicated, the principal components of our interest income.

	Six-month period ended June 30,		Percentage change First six months of 2018 / First six months of 2017
	2017	2018	
	(in billions of Won)		(%)
Interest income			
Financial assets at fair value through profit or loss (IFRS 9)	₩	₩ 29	N/A[1]
Financial assets at fair value through profit or loss (IAS 39)	27		N/A
Financial assets at fair value through other comprehensive income		119	N/A
Available-for-sale financial assets	144		N/A
Securities at amortized cost		169	N/A
Held to maturity financial assets	149		N/A
Financial assets at amortized cost:			N/A
Interest on due from banks		61	N/A
Interest on loans		4,251	N/A
Interest on other receivables		14	N/A
Subtotal		4,326	N/A
Loans and receivables:			N/A
Interest on due from banks	41		N/A
Interest on loans	3,810		N/A
Interest on other receivables	18		N/A
Subtotal	3,869		N/A
Total interest income	4,189	4,643	10.8%
Interest expense			
Deposits	(1,174)	(1,359)	15.8
Borrowings	(116)	(130)	12.1
Debentures	(306)	(347)	13.4
Others	(43)	(43)	

Total interest expense	(1,639)	(1,879)	14.6
Net interest income	₩ 2,550	₩ 2,764	8.4
Net interest margin(2)	1.71%	1.78%	

(1) N/A = not applicable.
(2) The ratio of annualized net interest income to average interest-earning assets.

Interest Income

Interest income increased 10.8% from ₩4,189 billion in the first six months of 2017 to ₩4,643 billion in the first six months of 2018, primarily due to an 11.6% increase in interest on loans. A substantial majority of loans that were classified as loans and receivables under IAS 39 in 2017 are currently classified as financial assets at amortized cost under IFRS 9, while a small portion of loans that were classified as loans and receivables under IAS 39 in 2017 are currently classified as financial assets at fair value through profit or loss under IFRS 9. See Changes in Accounting Standards. The annualized average yield on interest-earning

36

assets increased 18 basis point from 2.82% in the first six months of 2017 to 3.00% in the first six months of 2018, which reflected an increase in the general level of interest rates in Korea in the first six months of 2018 compared to the first six months of 2017. The effect of this increase was enhanced by a 4.3% increase in average balance of interest-earning assets from ₩297,441 billion in the first six months of 2017 to ₩310,142 in the first six months of 2018, principally due to the growth of our loan portfolio.

The 11.6% increase in interest on loans from ₩3,810 billion in the first six months of 2017 to ₩4,251 billion in the first six months of 2018 was principally due to:

- an 8.9% increase in the average volume of general purpose household loans (including home equity loans) from ₩65,091 billion in the first six months of 2017 to ₩70,881 billion in the first six months of 2018, which was enhanced by an 18 basis point increase in the annualized average yield on such loans from 3.38% in the first six months of 2017 to 3.56% in the first six months of 2018;

- a 14 basis point increase in the annualized average yield on commercial and industrial loans from 3.24% in the first six months of 2017 to 3.38% in the first six months of 2018, as well as a 3.8% increase in the average volume of such loans from ₩94,737 billion in the first six months of 2017 to ₩98,337 billion in the first six months of 2018;

- a 24 basis point increase in the annualized average yield on mortgage loans from 2.90% in the first six months of 2017 to 3.14% in the first six months of 2018, which was partially offset by a 0.6% decrease in the average volume of such loans from ₩47,924 billion in the first six months of 2017 to ₩47,655 billion in the first six months of 2018; and

- a 35.2% increase in the average volume of other commercial loans from ₩8,694 billion in the first six months of 2017 to ₩11,756 billion in the first six months of 2018, which was enhanced by a 10 basis point increase in the annualized average yield on such loans from 2.24% in the first six months of 2017 to 2.34% in the first six months of 2018.

The annualized average yields on general purpose household, commercial and industrial, mortgage and other commercial loans increased mainly due to the increase in the general level of interest rates in Korea in the first six months of 2018 compared to the first six months of 2017. The average volumes of general purpose household, commercial and industrial and other commercial loans increased primarily due to increased demand from borrowers in anticipation of further increases in the general level of interest rates in Korea. The average volume of mortgage loans decreased principally due to decreased demand for mortgage loans, mainly reflecting a decline in purchases of housing by consumers in Korea as well as the strengthening of mortgage lending regulations by the Korean government.

Overall, the annualized average yield on loans increased by 20 basis points from 3.24% in the first six months of 2017 to 3.44% in the first six months of 2018, while the average volume of loans increased 5.3% from ₩235,325 billion in the first six months of 2017 to ₩247,699 billion in the first six months of 2018.

Interest Expense

Interest expense increased 14.6% from ₩1,639 billion in the first six months of 2017 to ₩1,879 billion in the first six months of 2018, primarily due to a 15.8% increase in interest expense on deposits, which was enhanced by a 13.4% increase in interest expense on debentures. The annualized average cost of interest-bearing liabilities increased 10 basis points from 1.16% in the first six months of 2017 to 1.26% in the first six months of 2018, which reflected the increase in the general level of interest rates in Korea in the first six months of 2018 compared to the first six months of 2017. The effect of this increase was enhanced by a 4.4% increase in the average balance of interest-bearing liabilities from ₩283,508 billion in the first six months of 2017 to ₩296,079 billion in the first six months of 2018, principally due to an increase in the average balance of deposits.

Table of Contents

The 15.8% increase in interest expense on deposits from ₩1,174 billion in the first six months of 2017 to ₩1,359 billion in the first six months of 2018 resulted mainly from a 15.0% increase in interest expense on time and savings deposits from ₩994 billion in the first six months of 2017 to ₩1,143 billion in the first six months of 2018.

The increase in interest expense on time and savings deposits was principally due to a 10 basis point increase in the annualized average cost of such deposits from 1.08% in the first six months of 2017 to 1.18% in the first six months of 2018, which was enhanced by a 5.3% increase in the average balance of such deposits from ₩184,981 billion in the first six months of 2017 to ₩194,776 billion in the first six months of 2018. The increase in the annualized average cost of time and savings deposits was primarily attributable to the increase in the general level of interest rates in Korea in the first six months of 2017 compared to the first six months of 2018, while the increase in the average volume of such deposits mainly reflected customers continuing preference for low-risk products and institutions in Korea in light of the continuing uncertainty in financial markets in the first six months of 2018.

Overall, the annualized average cost of deposits increased by 10 basis points from 1.06% in the first six months of 2017 to 1.16% in the first six months of 2018, while the average volume of deposits increased 5.6% from ₩221,537 billion in the first six months of 2017 to ₩233,990 billion in the first six months of 2018.

The 13.4% increase in interest expense on debentures from ₩306 billion in the first six months of 2017 to ₩347 billion in the first six months of 2018 was primarily due to an 11.6% increase in the average balance of debentures from ₩24,469 billion in the first six months of 2017 to ₩27,307 billion in the first six months of 2018, which was mainly attributable to our increased use of debentures to meet our funding needs. Such increase was enhanced by a 4 basis point increase in the annualized average cost of debentures from 2.50% in the first six months of 2017 to 2.54% in the first six months of 2017, which mainly reflected the increase in the general level of interest rates in Korea in the first six months of 2018 compared to the first six months of 2017.

Net Interest Margin

Net interest margin represents the ratio of annualized net interest income to average interest-earning assets. Our overall net interest margin increased from 1.71% in the first six months of 2017 to 1.78% in the first six months of 2018, as an 8.4% increase in our net interest income from ₩2,550 billion in the first six months of 2017 to ₩2,764 billion in the first six months of 2018 outpaced a 4.3% increase in the average balance of our interest-earning assets from ₩297,441 billion in the first six months of 2017 to ₩310,142 billion in the first six months of 2018. The growth in average interest-earning assets was largely matched by a 4.4% increase in average interest-bearing liabilities from ₩283,508 billion in the first six months of 2017 to ₩296,079 billion in the first six months of 2018, but the increase in interest income outpaced the increase in interest expense, resulting in the increase in net interest income. The magnitude of this increase was enhanced by an increase in our net interest spread, which represents the difference between the annualized average yield on our interest-earning assets and the annualized average cost of our interest-bearing liabilities, from 1.66% in the first six months of 2017 to 1.74% in the first six months of 2018. The increase in net interest spread resulted from a larger increase in the annualized average yield on interest-earning assets between the two periods compared to the increase in the annualized average cost of interest-bearing liabilities, as interest rates on interest-bearing liabilities adjusted later than those on interest-earning assets in the context of the higher interest rate environment in the first six months of 2018.

Table of Contents

Reversal of Allowance for (Impairment Losses Due to) Credit Loss

The following table shows, for the periods indicated, the components of our reversal of allowance for (impairment losses due to) credit loss.

	Six-month period ended June 30,		Percentage change
	2017	2018	First six months of 2018 / First six months of 2017
	(in billions of Won)		(%)
Reversal of credit loss on financial assets at fair value through other comprehensive income	₩	₩	
Reversal of credit loss on securities at amortized cost			
Provisions for credit loss on loans and other financial assets at amortized cost		(61)	N/A[(1)]
Impairment losses on loans and receivables	(334)		N/A
Reversal of provisions for guarantees	45	87	93.3%
Reversal of provisions for loan commitments	5	3	(40.0)
Total reversal of allowance for (impairment losses due to) credit loss	₩ (284)	₩ 29	N/M[(2)]

(1) N/A = not applicable.
(2) N/M = not meaningful.

Reversal of allowance for (impairment losses due to) credit loss changed from a net loss of ₩284 billion in the first six months of 2017 to a net reversal of ₩29 billion in the first six months of 2018. This change was primarily attributable to an 81.7% decrease in provisions for credit loss on loans and other financial assets at amortized cost in the first six months of 2018 compared to impairment losses on loans and receivables in the first six months of 2017, which was enhanced by a 93.3% increase in reversal of provisions for guarantees.

The 81.7% decrease from impairment losses on loans and receivables of ₩334 billion in the first six months of 2017 to provisions for credit loss on loans and other financial assets at amortized cost of ₩61 billion in the first six months of 2018 was primarily due to a net reversal of loan loss allowances for corporate loans in the first six months of 2018, mainly reflecting an improvement in the overall asset quality of such loans, which was partially offset by an increase in loan loss provisions for consumer loans, principally as a result of an increase in the volume of general purpose household loans. The 93.3% increase in reversal of provisions for guarantees from ₩45 billion in the first six months of 2017 to ₩87 billion in the first six months of 2018 was mainly attributable to an increase in the amount of guarantees extended on behalf of certain corporate customers that were terminated in the first six months of 2018 compared to the first six months of 2017.

Allowance for Credit Losses

For information on our allowance for credit losses, see Item 5.A. Operating Results Critical Accounting Policies Impairment of Loans and Allowance for Credit Losses and Item 4.B. Business Overview Assets and Liabilities Loan Portfolio Allocation and Analysis of Allowances for Credit Losses in our Annual Report on Form 20-F for the year ended December 31, 2017 incorporated by reference in this prospectus.

Table of Contents

Corporate Loans

The following table shows, for the periods indicated, certain information regarding our impaired corporate loans (including government loans and bank loans):

	As of December 31, 2017	As of June 30, 2018
Impaired corporate loans as a percentage of total corporate loans	1.2%	1.1%
Allowance for credit losses for corporate loans as a percentage of total corporate loans	1.0	0.9
Allowance for credit losses for corporate loans as a percentage of impaired corporate loans	82.6	84.3
Net charge-offs of corporate loans as a percentage of total corporate loans	0.2	0.1[(1)]

(1) On an annualized basis.

During the first six months of 2018, impaired corporate loans, allowance for credit losses for corporate loans and net charge-offs of corporate loans (on an annualized basis), each as a percentage of total corporate loans, decreased due to an improvement in the overall asset quality of our corporate loans, notwithstanding a 3.7% decrease in the total amount of our corporate loans from ₩136,676 billion as of December 31, 2017 to ₩131,652 billion as of June 30, 2018. However, allowance for credit losses for corporate loans as a percentage of impaired corporate loans increased during the first six months of 2018, as an 11.4% decrease in allowance for credit losses for corporate loans from ₩1,383 billion as of December 31, 2017 to ₩1,225 billion as of June 30, 2018 was outpaced by a 13.2% decrease in impaired corporate loans from ₩1,674 billion as of December 31, 2017 to ₩1,453 billion as of June 30, 2018, which was mainly attributable to improved credit ratings of certain corporate borrowers and redemptions of such loans.

Consumer Loans and Credit Card Balances

The following table shows, for the periods indicated, certain information regarding our impaired loans to the consumer sector, excluding credit card balances:

	As of December 31, 2017	As of June 30, 2018
Impaired consumer loans as a percentage of total consumer loans	0.3%	0.3%
Allowance for credit losses for consumer loans as a percentage of total consumer loans	0.2	0.2
Allowance for credit losses for consumer loans as a percentage of impaired consumer loans	64.7	79.2
	0.1	0.2[(1)]

Net charge-offs of consumer loans as a percentage of total consumer loans

(1) On an annualized basis.

During the first six months of 2018, impaired consumer loans and allowance for credit losses for consumer loans, each as a percentage of total consumer loans, remained stable. However, allowance for credit losses for consumer loans as a percentage of impaired consumer loans increased, primarily due to a one-off increase in allowance for credit losses for consumer loans in connection with the application of IFRS 9 in the opening balances as of January 1, 2018, contributing to a 30.2% increase in the level of our allowance for credit

40

losses for consumer loans from ₩205 billion as of December 31, 2017 to ₩267 billion as of June 30, 2018, which outpaced a 6.3% increase in impaired consumer loans from ₩317 billion as of December 31, 2017 to ₩337 billion as of June 30, 2018. Net charge-offs of consumer loans (on an annualized basis) as a percentage of total consumer loans also increased, as a 1.7% increase in total consumer loans from ₩109,290 billion as of December 31, 2017 to ₩111,118 billion as of June 30, 2018 was outpaced by an 84.3% increase in net charge-offs of consumer loans from ₩102 billion in 2017 to ₩188 billion (on an annualized basis) for the first six months of 2018.

The following table shows, for the periods indicated, certain information regarding our impaired credit card balances:

	As of December 31, 2017	As of June 30, 2018
Impaired credit card balances as a percentage of total credit card balances(1)	2.6%	2.6%
Allowance for credit losses for credit card balances as a percentage of total credit card balances(1)	2.7	3.4
Allowance for credit losses for credit card balances as a percentage of impaired credit card balances(1)	102.2	129.0
Net charge-offs of credit card balances as a percentage of total credit card balances(1)	2.6	2.0(2)

(1) Includes corporate credit card balances.
(2) On an annualized basis.

During the first six months of 2018, impaired credit card balances as a percentage of total credit card balances remained stable. However, allowance for credit losses for credit card balances as a percentage of both total credit card balances and impaired credit card balances increased, primarily due to a one-off increase in allowance for credit losses for credit card balances in connection with the application of IFRS 9 in the opening balances as of January 1, 2018, contributing to a 41.8% increase in the amount of our allowance for credit losses for credit card balances from ₩182 billion as of December 31, 2017 to ₩258 billion as of June 30, 2018. Such increase outpaced both a 10.9% increase in the total amount of our credit card balances from ₩6,827 billion as of December 31, 2017 to ₩7,570 billion as of June 30, 2018 and a 12.4% increase in impaired credit card balances from ₩178 billion as of December 31, 2017 to ₩200 billion as of June 30, 2018. Net charge-offs of credit card balances (on an annualized basis) as a percentage of total credit card balances decreased mainly due to the increase in total credit card balances in the first six months of 2018.

Net Fees and Commissions Income

The following table shows, for the periods indicated, the components of our net fees and commissions income:

	Six-month period ended June 30,		Percentage change
	2017	2018	First six months of 2018 / First

			six months of 2017
	(in billions of Won)		(%)
Fees and commissions income	₩ 1,014	₩ 1,113	9.8%
Fees and commissions expense	(476)	(510)	7.1
Total fees and commissions income, net	₩ 538	₩ 603	12.1

Our net fees and commissions income increased 12.1% from ₩538 billion in the first six months of 2017 to ₩603 billion in the first six months of 2018, as a 9.8% increase in fees and commissions income from

41

Table of Contents

₩1,014 billion in the first six months of 2017 to ₩1,113 billion in the first six months of 2018 outpaced a 7.1% increase in fees and commissions expense from ₩476 billion in the first six months of 2017 to ₩510 billion in the first six months of 2018.

The 9.8% increase in fees and commissions income was principally due to a 55.6% increase in other fees and commissions received from ₩72 billion in the first six months of 2017 to ₩112 billion in the first six months of 2018, which was enhanced by a 5.5% increase in fees and commissions received on credit cards from ₩528 billion in the first six months of 2017 to ₩557 billion in the first six months of 2018. The increase in other fees and commissions received was attributable primarily to an increase in fee income from trust management services, while the increase in fees and commissions received on credit cards mainly reflected an increase in the volume of credit card transactions as well as an increase in credit card issuances.

The 7.1% increase in fees and commissions expense was mainly the result of a 6.3% increase in credit card commissions from ₩400 billion in the first six months of 2017 to ₩425 billion in the first six months of 2018, which primarily reflected the increase in the volume of credit card transactions and the increase in credit card issuances. Such increase was enhanced by an 11.0% increase in fees and commissions paid from ₩73 billion in the first six months of 2017 to ₩81 billion in the first six months of 2018, which was mainly attributable to an increase in fees paid to outside service providers.

For further information regarding our net fees and commissions income, see Note 34 of the notes to our unaudited consolidated interim financial statements included elsewhere in this prospectus.

Net Gain (Loss) on Financial Assets

The following table shows, for the periods indicated, the components of our net gain (loss) on financial assets:

	Six-month period ended June 30,		Percentage change First six months of 2018 / First six months of 2017
	2017	2018	2017
	(in billions of Won)		(%)
Net gain on financial instruments at fair value through profit or loss (IFRS 9)	₩	₩ 117	N/A[(2)]
Net loss on financial instruments at fair value through profit or loss (IAS 39)	(146)		N/A
Net gain on financial assets at fair value through other comprehensive income		1	N/A
Net gain on available-for-sale financial assets[(1)]	104		N/A
Net gain arising on financial assets at amortized cost		31	N/A
Total net gain (loss) on financial assets	₩ (42)	₩ 149	N/M[(3)]

(1) Includes impairment losses on securities of ₩13 billion in the first six months of 2017.
(2) N/A = not applicable.
(3) N/M = not meaningful.

Our net gain (loss) on financial assets changed from a net loss of ₩42 billion in the first six months of 2017 to a net gain of ₩149 billion in the first six months of 2018. This change was primarily attributable to a change in net gain (loss) on financial instruments at fair value through profit or loss from a net loss of ₩146 billion in the first six months of 2017 to a net gain of ₩117 billion in the first six months of 2018. Financial instruments at fair value through profit or loss under IFRS 9 include all financial instruments at fair value through profit or loss that were classified as such under IAS 39 in 2017 as well as certain other financial instruments that were classified as available-for-sale financial assets and loans and receivables under IAS 39 in

Table of Contents

2017. See Changes in Accounting Standards. The effect of such change was partially offset by a 99.0% decrease in net gain on available-for-sale financial assets of ₩104 billion in the first six months of 2017 compared to net gain on financial assets at fair value through other comprehensive income of ₩1 billion in the first six months of 2018.

The change in net gain (loss) on financial instruments at fair value through profit or loss from a net loss to a net gain was principally the result of a change in net gain (loss) on transactions and valuation of derivatives held for trading from a net loss of ₩68 billion in the first six months of 2017 to a net gain of ₩40 billion in the first six months of 2018, as well as a change in net gain (loss) on financial instruments at fair value through profit or loss designated as upon initial recognition from a net loss of ₩86 billion in the first six months of 2017 to a net gain of ₩3 billion in the first six months of 2018. Derivatives held for trading were classified as financial assets held for trading under IAS 39 in 2017 but are currently classified as financial assets at fair value through profit or loss under IFRS 9. The change in net gain (loss) on financial instruments at fair value through profit or loss designated as upon initial recognition resulted mainly from a change in net gain (loss) on equity-linked securities from a net loss of ₩86 billion in the first six months of 2017 to a net gain of ₩1 billion in the first six months of 2018.

The 99.0% decrease in net gain on available-for-sale financial assets compared to net gain on financial assets at fair value through other comprehensive income resulted mainly from a 99.1% decrease in gains on transaction of securities from ₩116 billion in the first six months of 2017 to ₩1 billion in the first six months of 2018. Such decrease was attributable primarily to the reclassification of certain equity and debt securities that were classified as available-for-sale financial assets under IAS 39 in 2017 to classifications other than financial assets at fair value through other comprehensive income, including financial assets at fair value through profit or loss and securities at amortized cost, under IFRS 9. See Changes in Accounting Standards.

For further information regarding our net gain (loss) on financial assets, see Notes 36 and 37 of the notes to our unaudited consolidated interim financial statements included elsewhere in this prospectus.

General and Administrative Expenses

The following table shows, for the periods indicated, the components of our general and administrative expenses:

	Six-month period ended June 30,		Percentage change
	2017	2018	First six months of 2018 / First six months of 2017
	(in billions of Won)		(%)
Employee benefits	₩ 947	₩ 952	0.5%
Depreciation and amortization	95	100	5.3
Other general and administrative expenses	496	515	3.8
General and administrative expenses	₩ 1,538	₩ 1,567	1.9

Our general and administrative expenses increased 1.9% from ₩1,538 billion in the first six months of 2017 to ₩1,567 billion in the first six months of 2018, primarily as a result of a 3.8% increase in other general and administrative expenses from ₩496 billion in the first six months of 2017 to ₩515 billion in the first six months of 2018. The increase in other general and administrative expenses was primarily due to a 46.7% increase in computer and IT-related expenses from ₩30 billion in the first six months of 2017 to ₩44 billion in the first six months of 2018 and a 9.4% increase in service charges from ₩96 billion in the first six months of 2017 to ₩105 billion in the first six months of 2018, which were partially offset by a 33.3% decrease in advertising expenses from ₩30 billion in the first six months of 2017 to ₩20 billion in the first six months of 2018.

The increase in computer and IT-related expenses resulted mainly from the incurrence of additional expenses in preparation for an upgrade of our computer systems, which was completed in May 2018, while the increase in service charges was principally due to higher rates charged by service providers as a result of an increase in the national minimum wage under Korean law. The decrease in advertising expenses was primarily attributable to a decrease in our use of media advertising, including on television.

For further information regarding our general and administrative expenses, see Note 39-(1) of the notes to our unaudited consolidated interim financial statements included elsewhere in this prospectus.

Net Other Operating Income (Expenses)

The following table shows, for the periods indicated, the components of our net other operating income (expenses):

	Six-month period ended June 30,		Percentage change
	2017	**2018**	**First six months of 2018 / First six months of 2017**
	(in billions of Won)		**(%)**
Other operating income	₩ 1,993	₩ 960	(51.8)%
Other operating expenses	(1,792)	(1,180)	(34.2)
Total net other operating income (expenses)	₩ 201	₩ (220)	N/M[1]

(1) N/M = not meaningful.

Our net other operating income (expenses) changed from net income of ₩201 billion in the first six months of 2017 to net expenses of ₩220 billion in the first six months of 2018, as a 51.8% decrease in other operating income from ₩1,993 billion in the first six months of 2017 to ₩960 billion in the first six months of 2018 outpaced a 34.2% decrease in other operating expenses from ₩1,792 billion in the first six months of 2017 to ₩1,180 billion in the first six months of 2018.

Other operating income includes principally gains on transactions of foreign exchange, gains on disposals of loans and receivables (for the first six months of 2017 under IAS 39), gains related to derivatives, gains on fair value hedged items and miscellaneous other operating income. The 51.8% decrease in other operating income was attributable mainly to a 50.1% decrease in gains on transactions of foreign exchange from ₩1,699 billion in the first six months of 2017 to ₩847 billion in the first six months of 2018. This decrease, which was principally due to lower exchange rate volatility in the first six months of 2018, was partially offset by a 47.2% decrease in losses on transactions of foreign exchange from ₩1,375 billion in the first six months of 2017 to ₩726 billion in the first six months of 2018, which is recorded as part of other operating expenses. On a net basis, net gains on transactions of foreign exchange decreased 62.7% from ₩324 billion in the first six months of 2017 to ₩121 billion in the first six months of 2018. The decrease in gains on transactions of foreign exchange was enhanced by a 100.0% decrease in gains on disposals of loans and receivables from ₩202 billion in the first six months of 2017 to nil in the first six months of 2018, which reflected the change in classification of gains and losses on disposal of loans and receivables to net gain (loss) arising on financial assets at amortized cost under IFRS 9.

Other operating expenses include principally losses on transaction of foreign exchange, deposit insurance premiums, contributions to miscellaneous funds, losses on disposals of loans and receivables (for the first six months of 2017 under IAS 39), losses related to derivatives, losses on fair value hedged items and miscellaneous other operating expenses. The 34.2% decrease in other operating expenses was primarily the result of a 47.2% decrease in losses on transactions of foreign exchange from ₩1,375 billion in the first six months of 2017 to ₩726 billion in the first six months of 2018, which mainly reflected lower exchange rate volatility in the first six months of 2018. This decrease was more than offset by a decrease in gains on transaction of foreign exchange, which is recorded as part of other operating income as discussed above.

For further information regarding our net other operating income (expenses), see Notes 39-(2) and (3) of the notes to our unaudited consolidated interim financial statements included elsewhere in this prospectus.

Net Other Non-operating Income (Expenses)

The following table shows, for the periods indicated, the components of our net other non-operating income (expenses):

	Six-month period ended June 30,		Percentage change
	2017	2018	First six months of 2018 / First six months of 2017
	(in billions of Won)		(%)
Other non-operating income	₩ 77	₩ 39	(49.4)%
Other non-operating expenses	(67)	(44)	(34.3)
Total net other non-operating income (expenses)	₩ 10	₩ (5)	N/M[1]

[1] N/M = not meaningful.

Our net other non-operating income (expenses) changed from net income of ₩10 billion in the first six months of 2017 to net expenses of ₩5 billion in the first six months of 2018, as a 49.4% decrease in other non-operating income from ₩77 billion in the first six months of 2017 to ₩39 billion in the first six months of 2018 outpaced a 34.3% decrease in other non-operating expenses from ₩67 billion in the first six months of 2017 to ₩44 billion in the first six months of 2018.

Other non-operating income includes principally rental fee income, gain on disposal of investment in joint ventures and associates, gain on disposal of premises and equipment, intangible assets and other assets, reversal of impairment loss on premises and equipment, intangible assets and other assets and miscellaneous other non-operating income. The 49.4% decrease in other non-operating income was attributable primarily to a 100.0% decrease in gains on disposal of investment in joint ventures and associates from ₩33 billion in the first six months of 2017 to nil in the first six months of 2018. The decrease in such gains resulted mainly from a decrease in the number of such transactions in the first six months of 2018 compared to the first six months of 2017.

Other non-operating expenses include principally depreciation on investment properties, interest expenses of rent leasehold deposits, losses on disposal of investment in joint ventures and associates, losses on disposal of premises and equipment, intangible assets and other assets, impairment losses on premises and equipment, intangible assets and other assets, donations and miscellaneous other non-operating expenses. The 34.3% decrease in other non-operating expenses was attributable mainly to an 89.3% decrease in losses on disposal of investment in joint ventures and associates from ₩28 billion in the first six months of 2017 to ₩3 billion in the first six months of 2018, which was principally due to the decrease in the number of such transactions in the first six months of 2018, as discussed above.

For further information regarding our net other non-operating income (expenses), see Notes 40-(3) and (4) of the notes to our unaudited consolidated interim financial statements included elsewhere in this prospectus.

Share of Losses of Joint Ventures and Associates

Our share of losses of joint ventures and associates decreased 96.9% from ₩64 billion in the first six months of 2017 to ₩2 billion in the first six months of 2018. Such decrease was primarily attributable to decreases in losses recorded by STX Corporation and Chin Hung International Inc., in which we held equity interests of 19.7% and 25.3%, respectively, acquired through debt-to-equity swaps. For further information regarding our investments in joint ventures and associates, see Note 13 of the notes to our unaudited consolidated interim financial statements included elsewhere in this prospectus.

Income Tax Expense

Our income tax expense is calculated by adding or subtracting changes in deferred income tax liabilities and assets to income tax amounts payable for the period. Deferred tax assets are recognized for deductible temporary differences, including operating losses and tax credit carry-forwards, while deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are those between the carrying values of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets, including the carry-forwards of unused tax losses, are recognized to the extent it is probable that the deferred tax assets will be realized.

Income tax expense increased 51.1% from ₩321 billion in the first six months of 2017 to ₩485 billion in the first six months of 2018, mainly as a result of an increase in our net income before income tax expense, as well as an increase in the applicable corporate income tax rate in Korea in January 2018. See Item 3.D. Risk Factors Risks relating to government regulation and policy Our income tax expenses may increase as a result of changes to Korean corporate income tax laws in our Annual Report on Form 20-F for the year ended December 31, 2017 incorporated by reference in this prospectus. Our effective tax rate was 22.4% in the first six months of 2017 and 26.9% in the first six months of 2018. See Note 41 of the notes to our unaudited consolidated interim financial statements included elsewhere in this prospectus.

Net Income

Due to the factors described above, we recorded net income of ₩1,316 billion in the first six months of 2018 compared to ₩1,109 billion in the first six months of 2017.

Results by Principal Business Segment

We compile and analyze financial information for our business segments based upon segment information used by our management for the purposes of resource allocation and performance evaluation. We currently have six operational business segments: consumer banking, corporate banking, investment banking, capital markets, credit card and other operations.

The following table shows, for the periods indicated, our results of operations by segment:

	Net income Six months ended June 30,		Total operating income[1] Six months ended June 30,	
	2017	2018	2017	2018
	(in billions of Won)			
Consumer banking	₩ 172	₩ 252	₩ 218	₩ 357
Corporate banking	475	699	617	958
Investment banking	109	114	121	140
Capital markets	41	32	54	44

Credit card	62	68	84	93
Other operations	304	191	381	226
Total[2]	₩1,163	₩1,356	₩ 1,475	₩ 1,818

(1) Comprises net interest income and net non-interest income after administrative expenses and reversal of allowance for (impairment losses due to) credit loss.

(2) Before adjustments for inter-segment transactions (other than inter-segment loans and borrowings) and certain differences in classification under our management reporting system.

Table of Contents

Consumer Banking

This segment consists of our consumer banking operations. The following table shows, for the periods indicated, our income statement data for this segment:

	Six-month period ended June 30,		Percentage change
	2017	2018	First six months of 2018 / First six months of 2017
	(in billions of Won)		(%)
Income statement data			
Interest income	₩ 1,540	₩ 1,704	10.6%
Interest expense	(481)	(500)	4.0
Inter-segment	(248)	(275)	10.9
Net interest income	811	929	14.5
Non-interest income	424	405	(4.5)
Non-interest expense	(147)	(127)	(13.6)
Inter-segment	46	78	69.6
Net non-interest income	323	356	10.2
Administrative expenses	(870)	(875)	0.6
Impairment losses due to credit loss and others(1)	(46)	(53)	15.2
Total other expenses	(916)	(928)	1.3
Operating income	218	357	63.8
Net non-operating income (loss)	9	(10)	N/M(2)
Net income before tax	227	347	52.9
Income tax expense	(55)	(95)	72.7
Net income	₩ 172	₩ 252	46.5

(1) Consist of reversal of allowance for (impairment losses due to) credit loss, gain (loss) on loan sales and provisions (reversal of provisions).

(2) N/M = not meaningful.

Our net income before tax for this segment increased 52.9% from ₩227 billion in the first six months of 2017 to ₩347 billion in the first six months of 2018. Net income after tax also increased 46.5% from ₩172 billion in the first six months of 2017 to ₩252 billion in the first six months of 2018.

Interest income for this segment increased 10.6% from ₩1,540 billion in the first six months of 2017 to ₩1,704 billion in the first six months of 2018, primarily due to an increase in the average balance of general purpose household loans (including home equity loans), mainly reflecting increased demand for such loans among consumers, which was enhanced by an increase in the average yields on such loans and mortgage loans, principally as a result of the increase in the general level of interest rates in Korea in the first six months of 2018 compared to the first six months 2017.

Interest expense attributable to this segment increased 4.0% from ₩481 billion in the first six months of 2017 to ₩500 billion in the first six months of 2018. The increase in interest expense was primarily due to an increase in the average cost of time and savings deposits held by consumers, which was mainly attributable to the increase in the general level of interest rates in Korea in the first six months of 2018 compared to the first six months of 2017.

Net interest expense from inter-segment transactions for this segment increased 10.9% from ₩248 billion in the first six months of 2017 to ₩275 billion in the first six months of 2018, principally as a result of increased funding needs for this segment in light of the increase in the average volume of general purpose household loans (including home equity loans).

Impairment losses due to credit loss and others for this segment increased 15.2% from ₩46 billion in the first six months of 2017 to ₩53 billion in the first six months of 2018, primarily as a result of an increase in provisions for general purpose household loans (including home equity loans), mainly reflecting the increase in the outstanding balance of such loans.

Non-interest income attributable to this segment decreased 4.5% from ₩424 billion in the first six months of 2017 to ₩405 billion in the first six months of 2018, primarily due to decreases in gains on transaction of foreign exchange and fee income from bancassurance products.

Non-interest expense for this segment decreased 13.6% from ₩147 billion in the first six months of 2017 to ₩127 billion in the first six months of 2018, primarily as a result of a decrease in losses on transaction of foreign exchange.

Net non-interest income from inter-segment transactions for this segment increased 69.6% from ₩46 billion in the first six months of 2017 to ₩78 billion in the first six months of 2018, principally as a result of an increase in fee income from our asset management products, including money trust products.

Administrative expenses attributable to this segment increased 0.6% from ₩870 billion in the first six months of 2017 to ₩875 billion in the first six months of 2018.

Table of Contents

Corporate Banking

This segment consists of our corporate banking (including small- and medium-sized enterprise banking and large corporate banking) operations. The following table shows, for the periods indicated, our income statement data for this segment:

	Six-month period ended June 30,		Percentage change First six months of 2018 / First six months of 2017
	2017	2018	2017
	(in billions of Won)		(%)
Income statement data			
Interest income	₩ 1,456	₩ 1,639	12.6%
Interest expense	(818)	(995)	21.6
Inter-segment	229	323	41.0
Net interest income	867	967	11.5
Non-interest income	334	432	29.3
Non-interest expense	(82)	(184)	124.4
Inter-segment	30	37	23.3
Net non-interest income	282	285	1.1
Administrative expenses	(403)	(403)	
Reversal of allowance for (impairment losses due to) credit loss and others(1)	(129)	109	N/M(2)
Total other expenses	(532)	(294)	(44.7)
Operating income	617	958	55.3
Net non-operating income (loss)	(3)	1	N/M
Net income before tax	614	959	56.2
Income tax expense	(139)	(260)	87.1
Net income	₩ 475	₩ 699	47.2

(1) Consists of reversal of allowance for (impairment losses due to) credit loss, gain (loss) on loan sales and provisions (reversal of provisions).

(2) N/M = not meaningful.

Our net income before tax for this segment increased 56.2% from ₩614 billion in the first six months of 2017 to ₩959 billion in the first six months of 2018. Net income after tax also increased 47.2% from ₩475 billion in the first six months of 2017 to ₩699 billion in the first six months of 2018.

Interest income for this segment increased 12.6% from ₩1,456 billion in the first six months of 2017 to ₩1,639 billion in the first six months of 2018, primarily due to an increase in the average balances of commercial and industrial and other commercial loans, mainly reflecting increased demand from corporate borrowers in anticipation of further increases in the general level of interest rates in Korea, as well as our efforts to increase our lending to small and medium-sized enterprises. Such increase was enhanced by an increase in the average yields on such loans, which mainly reflected the increase in the general level of interest rates in Korea in the first six months of 2018 compared to the first six months 2017.

Interest expense attributable to this segment, which consists mainly of interest expense on corporate deposits, borrowings and debentures, increased 21.6% from ₩818 billion in the first six months of 2017 to ₩995 billion in the first six months of 2018. The increase in interest expense was primarily due to an increase in the average cost of time and savings deposits held by corporate customers, which was mainly attributable to the

Table of Contents

increase in the general level of interest rates in Korea in the first six months of 2018 compared to the first six months of 2017. Such increases were enhanced by an increase in the average balance of such deposits.

Net interest income from inter-segment transactions for this segment increased 41.0% from ₩229 billion in the first six months of 2017 to ₩323 billion in the first six months of 2018, principally as a result of an increase in the average balance of loans to other segments, which mainly reflected increased funding needs of the consumer banking segment.

Reversal of allowance for (impairment losses due to) credit loss and others for this segment changed from a net loss of ₩129 billion in the first six months of 2017 to a net reversal of ₩109 billion in the first six months of 2018, primarily as a result of improvements in the overall asset quality of our corporate loan portfolio and the credit ratings of certain corporate borrowers.

Non-interest income attributable to this segment increased 29.3% from ₩334 billion in the first six months of 2017 to ₩432 billion in the first six months of 2018, primarily due to an increase in gains on transaction of derivatives.

Non-interest expense for this segment increased 124.4% from ₩82 billion in the first six months of 2017 to ₩184 billion in the first six months of 2018, primarily as a result of an increase in losses on transaction of derivatives.

Administrative expenses attributable to this segment remained stable at ₩403 billion in the first six months of 2017 and 2018.

Table of Contents

Investment Banking

This segment consists of our investment banking operations, including principally project finance, structured finance, merger and acquisition financing and financial advisory services. The following table shows, for the periods indicated, our income statement data for this segment:

	Six-month period ended June 30, 2017	Six-month period ended June 30, 2018	Percentage change First six months of 2018 / First six months of 2017
	(in billions of Won)		(%)
Income statement data			
Interest income	₩ 72	₩ 75	4.2%
Interest expense			
Inter-segment	(67)	(78)	16.4
Net interest income	5	(3)	N/M[2]
Non-interest income	212	137	(35.4)
Non-interest expense	(121)	(40)	(66.9)
Inter-segment			
Net non-interest income	91	97	6.6
Administrative expenses	(6)	(6)	
Reversal of allowance for credit loss and others[1]	31	52	67.7
Total other income	25	46	84.0
Operating income	121	140	15.7
Net non-operating income (loss)	23	17	(26.1)
Net income before tax	144	157	9.0
Income tax expense	(35)	(43)	22.9
Net income	₩ 109	₩ 114	4.6

(1) Consists of reversal of allowance for (impairment losses due to) credit loss, gain (loss) on loan sales and provisions (reversal of provisions).

(2) N/M = not meaningful.

Our net income before tax for this segment increased 9.0% from ₩144 billion in the first six months of 2017 to ₩157 billion in the first six months of 2018. Net income after tax also increased 4.6% from ₩109 billion in the first six months of 2017 to ₩114 billion in the first six months of 2018.

Interest income for this segment, which consists mainly of interest income from financing provided to corporations, increased 4.2% from ₩72 billion in the first six months of 2017 to ₩75 billion in the first six months of 2018, primarily reflecting the increase in the general level of interest rates in Korea in the first six months of 2018 compared to the first six months of 2017.

Net interest expense on inter-segment transactions for this segment increased 16.4% from ₩67 billion in the first six months of 2017 to ₩78 billion in the first six months of 2018, principally as a result of an increase in the average cost of borrowings from other segments, which mainly reflected the increase in the general level of interest rates in Korea in the first six months of 2018 compared to the first six months of 2017.

Reversal of allowance for credit loss and others for this segment increased 67.7% from ₩31 billion in the first six months of 2017 to ₩52 billion in the first six months of 2018, primarily as a result of improvements in the overall asset quality of our financing portfolio and the credit ratings of certain corporate borrowers.

Table of Contents

Non-interest income attributable to this segment decreased 35.4% from ₩212 billion in the first six months of 2017 to ₩137 billion in the first six months of 2018, primarily due to a decrease in gains related to securities.

Non-interest expense for this segment decreased 66.9% from ₩121 billion in the first six months of 2017 to ₩40 billion in the first six months of 2018, primarily as a result of a decrease in losses related to securities.

Administrative expenses attributable to this segment remained stable at ₩6 billion in the first six months of 2017 and 2018.

Capital Markets

This segment consists of our core capital markets operations, including principally securities investment and trading of securities, foreign exchange and derivatives. The following table shows, for the periods indicated, our income statement data for this segment:

	Six-month period ended June 30,		Percentage change First six months of 2018 / First six months of 2017
	2017	2018	
	(in billions of Won)		(%)
Income statement data			
Interest income	₩ 9	₩ 6	(33.3)%
Interest expense			
Inter-segment	8	10	25.0
Net interest income	17	16	(5.9)
Non-interest income	4,992	4,765	(4.5)
Non-interest expense	(4,969)	(4,726)	(4.9)
Inter-segment			
Net non-interest income	23	39	69.6
Administrative expenses	(8)	(8)	
Reversal of allowance for (impairment losses due to) credit loss and others[1]	22	(3)	N/M[2]
Total other income (expenses)	14	(11)	N/M
Operating income	54	44	(18.5)
Net non-operating income			
Net income before tax	54	44	(18.5)

Income tax expense	(13)	(12)	(7.7)
Net income	₩ 41	₩ 32	(22.0)

(1) Consists of reversal of allowance for (impairment losses due to) credit loss, gain (loss) on loan sales and provisions (reversal of provisions).

(2) N/M = not meaningful.

Our net income before tax for this segment decreased 18.5% from ₩54 billion in the first six months of 2017 to ₩44 billion in the first six months of 2018. Net income after tax also decreased 22.0% from ₩41 billion in the first six months of 2017 to ₩32 billion in the first six months of 2018.

Interest income for this segment, which consists mainly of interest income from securities, decreased 33.3% from ₩9 billion in the first six months of 2017 to ₩6 billion in the first six months of 2018.

Table of Contents

Net interest income on inter-segment transactions for this segment increased 25.0% from ₩8 billion in the first six months of 2017 to ₩10 billion in the first six months of 2018, principally as a result of an increase in the average yield on loans to other segments, which mainly reflected the increase in the general level of interest rates in Korea in the first six months of 2018 compared to the first six months of 2017.

Reversal of allowance for (impairment losses due to) credit loss and others for this segment changed from a net reversal of ₩22 billion in the first six months of 2017 to a net loss of ₩3 billion in the first six months of 2018, primarily as a result of a significant reversal in the first six months of 2017 relating to a downward adjustment in the valuation of the derivative products of a corporate customer, which was not repeated in the first six months of 2018.

Non-interest income attributable to this segment decreased 4.5% from ₩4,992 billion in the first six months of 2017 to ₩4,765 billion in the first six months of 2018, primarily due to a decrease in gains on transaction of foreign exchange.

Non-interest expense for this segment decreased 4.9% from ₩4,969 billion in the first six months of 2017 to ₩4,726 billion in the first six months of 2018, primarily as a result of a decrease in losses on transaction of foreign exchange.

Administrative expenses attributable to this segment remained stable at ₩8 billion in the first six months of 2017 and 2018.

Credit Card

This segment consists of our credit card operations. The following table shows, for the periods indicated, our income statement data for this segment:

	Six-month period ended June 30,		Percentage change
	2017	2018	First six months of 2018 / First six months of 2017
	(in billions of Won)		(%)
Income statement data			
Interest income	₩ 289	₩ 323	11.8%
Interest expense	(66)	(75)	13.6
Inter-segment			
Net interest income	223	248	11.2
Non-interest income	566	605	6.9
Non-interest expense	(520)	(562)	8.1
Inter-segment			
Net non-interest income	46	43	(6.5)
Administrative expenses	(78)	(84)	7.7

Impairment losses due to credit loss and others[1]	(107)	(114)	6.5
Total other expenses	(185)	(198)	7.0
Operating income	84	93	10.7
Net non-operating loss	(2)	(3)	50.0
Net income before tax	82	90	9.8
Income tax expense	(20)	(22)	10.0
Net income	₩ 62	₩ 68	9.7

(1) Consist of reversal of allowance for (impairment losses due to) credit loss, gain (loss) on loan sales and provisions (reversal of provisions).

Our net income before tax for this segment increased 9.8% from ₩82 billion in the first six months of 2017 to ₩90 billion in the first six months of 2018. Net income after tax also increased 9.7% from ₩62 billion in the first six months of 2017 to ₩68 billion in the first six months of 2018.

Interest income for this segment increased 11.8% from ₩289 billion in the first six months of 2017 to ₩323 billion in the first six months of 2018, primarily due to an increase in the average balance of credit card receivables, mainly reflecting an increase in the volume of credit card transactions, including cash advances and credit card loans, which was offset in part by a decrease in the average yield on such receivables.

Interest expense attributable to this segment increased 13.6% from ₩66 billion in the first six months of 2017 to ₩75 billion in the first six months of 2018, primarily due to increased funding needs for this segment in light of the increase in the average balance of credit card receivables, including cash advances and credit card loans.

Impairment losses due to credit loss and others for this segment increased 6.5% from ₩107 billion in the first six months of 2017 to ₩114 billion in the first six months of 2018, primarily as a result of an increase in provisions for credit losses, mainly due to an increase in the outstanding balance of our credit card receivables, including cash advances and credit card loans.

Non-interest income attributable to this segment increased 6.9% from ₩566 billion in the first six months of 2017 to ₩605 billion in the first six months of 2018, primarily due to an increase in credit card fees, including merchant processing fees and holder annual fees, mainly reflecting the increase in the average balance of credit card receivables.

Non-interest expense for this segment increased 8.1% from ₩520 billion in the first six months of 2017 to ₩562 billion in the first six months of 2018, primarily as a result of an increase in credit card commissions, including in respect of reward points and other related discount services, mainly reflecting the increase in the average balance of credit card receivables.

Administrative expenses attributable to this segment increased 7.7% from ₩78 billion in the first six months of 2017 to ₩84 billion in the first six months of 2018, primarily due to an increase in salaries paid to our employees in this segment, principally reflecting an increase in the number of such employees, as well as increases in advertising expenses relating to new products and depreciation expenses relating to IT facilities.

Table of Contents

Other Operations

Other operations include all of our operations not included in the other segments, including principally the operations of our Credit Management and Collection Department and our Corporate Restoration Department, our treasury operations involving transactions of available-for-sale securities and financing among financial institutions as well as the operations of all of our subsidiaries other than Woori Card. The following table shows, for the periods indicated, our income statement data for this segment:

	Six-month period ended June 30,		Percentage change
	2017	2018	First six months of 2018 / First six months of 2017
	(in billions of Won)		(%)
Income statement data			
Interest income	₩ 669	₩ 748	11.8%
Interest expense	(411)	(459)	11.7
Inter-segment	77	19	(75.3)
Net interest income	335	308	(8.1)
Non-interest income	1,130	517	(54.2)
Non-interest expense	(863)	(219)	(74.6)
Inter-segment	(75)	(115)	53.3
Net non-interest income	192	183	(4.7)
Administrative expenses	(299)	(328)	9.7
Reversal of allowance for credit loss and others[1]	153	63	(58.8)
Total other expenses	(146)	(265)	81.5
Operating income	381	226	(40.7)
Net non-operating income (loss)	(26)	18	N/M[2]
Net income before tax	355	244	(31.3)
Income tax expense	(51)	(53)	3.9
Net income	₩ 304	₩ 191	(37.2)

(1)

Consists of reversal of allowance for (impairment losses due to) credit loss, gain (loss) on loan sales and provisions (reversal of provisions).

(2) N/M = not meaningful.

Our net income before tax for this segment decreased 31.3% from ₩355 billion in the first six months of 2017 to ₩244 billion in the first six months of 2018. Net income after tax also decreased 37.2% from ₩304 billion in the first six months of 2017 to ₩191 billion in the first six months of 2018.

Interest income for this segment, which mainly includes interest income due from banks and on certain other loans and financial assets, increased 11.8% from ₩669 billion in the first six months of 2017 to ₩748 billion in the first six months of 2018, primarily due to the increase in the general level of interest rates in Korea in the first six months of 2018 compared to the first six months of 2017.

Interest expense attributable to this segment, which mainly includes interest expense on debentures, borrowings, call money and deposits due to customers, increased 11.7% from ₩411 billion in the first six months of 2017 to ₩459 billion in the first six months of 2018, primarily due to increased funding costs for this segment in light of the higher interest rate environment in Korea in the first six months of 2018.

Net interest income from inter-segment transactions for this segment decreased 75.3% from ₩77 billion in the first six months of 2017 to ₩19 billion in the first six months of 2018, principally as a result of increased funding needs of other segments.

Table of Contents

Reversal of allowance for credit loss and others for this segment decreased 58.8% from ₩153 billion in the first six months of 2017 to ₩63 billion in the first six months of 2018, primarily as a result of significant gains on loan sales in this segment in the first six months of 2017, which were not repeated in the first six months of 2018.

Non-interest income attributable to this segment, which mainly includes gains on transaction of foreign exchange, gains on fair value hedged items and gains on transactions of derivatives, decreased 54.2% from ₩1,130 billion in the first six months of 2017 to ₩517 billion in the first six months of 2018, primarily due to decreases in such gains relating to our treasury operations.

Non-interest expense for this segment, which mainly includes losses on transaction of foreign exchange, losses on fair value hedged items and losses on transactions of derivatives, decreased 74.6% from ₩863 billion in the first six months of 2017 to ₩219 billion in the first six months of 2018, primarily as a result of decreases in losses on transactions of foreign exchange and derivatives.

Administrative expenses attributable to this segment increased 9.7% from ₩299 billion in the first six months of 2017 to ₩328 billion in the first six months of 2018, primarily due to an increase in computer and IT-related expenses relating to an upgrade of our computer systems, which was completed in May 2018.

Table of Contents

Item 5.B. Liquidity and Capital Resources

Financial Condition

Assets

The following table sets forth, as of the dates indicated, the principal components of our assets:

	As of December 31, 2017	As of June 30, 2018	Percentage change June 30, 2018 / December 31, 2017
	(in billions of Won)		(%)
Cash and cash equivalents	₩ 6,908	₩ 5,920	(14.3)%
Financial assets at fair value through profit or loss (IFRS 9)		6,341	N/A[(1)]
Financial assets at fair value through profit or loss (IAS 39)	5,843		N/A
Financial assets at fair value through other comprehensive income		14,645	N/A
Available-for-sale financial assets	15,353		N/A
Securities at amortized cost		17,702	N/A
Held-to-maturity financial assets	16,749		N/A
Loans and other financial assets at amortized cost:		277,720	N/A
Loans and receivables:	267,106		N/A
Due from banks[(2)]	8,868	17,770	100.4
Loans[(2)]	251,523	248,794	(1.1)
Loans in local currency	200,213	204,830	2.3
Loans in foreign currencies	13,148	14,731	12.0
Domestic banker s letter of credit	2,517	3,074	22.1
Credit card accounts	6,827	7,570	10.9
Bills bought in foreign currencies	8,197	6,830	(16.7)
Bills bought in local currency	335	257	(23.3)
Factoring receivables	138	61	(55.8)
Advances for customers on guarantees	24	15	(37.5)
Private placement bonds	362	434	19.9
Securitized loans	563	1,228	118.1
Call loans	3,003	3,136	4.4
Bonds purchased under resale agreements	16,859	7,000	(58.5)
Loan origination costs and fees	511	546	6.8
Others	607	837	37.9
Discounted present value	(11)	(5)	(54.5)
Loss allowance	(1,770)	(1,750)	(1.1)
Other financial assets (other receivables)[(2)]	6,715	11,156	66.1
Investments in joint ventures and associates	417	413	(1.0)

Investment properties	371	381	2.7
Premises and equipment	2,478	2,451	(1.1)
Other assets[3]	1,070	988	(7.7)
Total assets	₩ 316,295	₩ 326,561	3.2

(1) N/A = not applicable.
(2) Net of allowance for credit losses.
(3) Includes intangible assets and goodwill, assets held for sale, current tax assets, deferred tax assets, derivative assets and other assets.

57

Table of Contents

Our total assets increased 3.2% from ₩316,295 billion as of December 31, 2017 to ₩326,561 billion as of June 30, 2018, principally due to a 100.4% increase in due from banks from ₩8,868 billion as of December 31, 2017 to ₩17,770 billion as of June 30, 2018, which was enhanced by a 66.1% increase in other financial assets (other receivables) from ₩6,715 billion as of December 31, 2017 to ₩11,156 billion as of June 30, 2018. Such increases were partially offset by a 1.1% decrease in loans from ₩251,523 billion as of December 31, 2017 to ₩248,794 billion as of June 30, 2018.

The increase in due from banks was mainly attributable to a 132.2% increase in amounts due from the Bank of Korea from ₩6,246 billion as of December 31, 2017 to ₩14,501 billion as of June 30, 2018. The increase in other financial assets (other receivables) primarily reflected a 95.6% increase in receivables from ₩4,459 billion as of December 31, 2017 to ₩8,722 billion as of June 30, 2018. The decrease in loans primarily reflected a 58.5% decrease in bonds purchased under resale agreement from ₩16,859 billion as of December 31, 2017 to ₩7,000 billion as of June 30, 2018, which was partially offset by a 2.3% increase in loans in local currency from ₩200,213 billion as of December 31, 2017 to ₩204,830 billion as of June 30, 2018.

Liabilities and Equity

The following table sets forth, as of the dates indicated, the principal components of our liabilities and equity:

	As of December 31, 2017	As of June 30, 2018	Percentage change June 30, 2018 / December 31, 2017
	(in billions of Won)		(%)
Liabilities:			
Financial liabilities at fair value through profit or loss (IFRS 9)	₩	₩ 2,578	N/A(1)
Financial liabilities at fair value through profit or loss (IAS 39)	3,428		N/A
Deposits due to customers	234,695	237,900	1.4%
Borrowings	14,785	15,900	7.5
Debentures	27,869	26,753	(4.0)
Provisions	410	386	(5.9)
Other financial liabilities	13,892	21,408	54.1
Other liabilities(2)	651	640	(1.7)
Total liabilities	295,730	305,565	3.3
Equity:			
Owner s equity:			
Capital stock	3,381	3,381	
Hybrid securities	3,018	2,763	(8.4)
Capital surplus	286	286	
Other equity	(1,939)	(2,113)	9.0
Retained earnings(3)	15,620	16,473	5.5

	20,366	20,790	2.1
Non-controlling interests	199	206	3.5
Total equity	20,565	20,996	2.1
Total liabilities and equity	₩ 316,295	₩ 326,561	3.2

(1) N/A = not applicable.

(2) Includes net defined benefit liability, current tax liabilities, deferred tax liabilities, derivative liabilities and other liabilities.

(3) Includes regulatory reserve for credit loss of ₩2,438 billion as of December 31, 2017 and ₩2,578 billion as of June 30, 2018.

Our total liabilities increased 3.3% from ₩295,730 billion as of December 31, 2017 to ₩305,565 billion as of June 30, 2018, principally as a result of a 54.1% increase in other financial liabilities from ₩13,892 billion as of December 31, 2017 to ₩21,408 billion as of June 30, 2018, which was enhanced by a 1.4% increase in deposits due to customers from ₩234,695 billion as of December 31, 2017 to ₩237,900 billion as of June 30, 2018. The increase in other financial liabilities mainly reflected a 92.3% increase in accounts payable from ₩4,692 billion as of December 31, 2017 to ₩9,022 billion as of June 30, 2018, which was enhanced by a 222.8% increase in domestic exchange payables from ₩1,310 billion as of December 31, 2017 to ₩4,229 billion as of June 30, 2018. The increase in deposits due to customers was primarily due to a 2.3% increase in deposits in local currency from ₩211,052 billion as of December 31, 2017 to ₩215,993 billion as of June 30, 2018.

Our total equity increased 2.1% from ₩20,565 billion as of December 31, 2017 to ₩20,996 billion as of June 30, 2018. Such increase mainly reflected a 5.5% increase in retained earnings from ₩15,620 billion as of December 31, 2017 to ₩16,473 billion as of June 30, 2018, which was partially offset by an 8.4% decrease in hybrid securities from ₩3,018 billion as of December 31, 2017 to ₩2,763 billion as of June 30, 2018 and a 9.0% increase in negative other equity from ₩1,939 billion as of December 31, 2017 to ₩2,113 billion as of June 30, 2018. For information regarding the impact of the adoption of IFRS 9 on our equity, see Note 2-(1)-e) of the notes to our unaudited consolidated interim financial statements included elsewhere in this prospectus.

Liquidity

Our primary source of funding has historically been and continues to be customer deposits, particularly lower-cost retail deposits. Deposits amounted to ₩234,695 billion as of December 31, 2017 and ₩237,900 billion as of June 30, 2018, which represented approximately 82.7% and 82.8% of our total funding, respectively. We have historically been able to use customer deposits to finance our operations generally, including meeting a portion of our liquidity requirements. Although the majority of deposits are short term, it has been our experience that the majority of our depositors generally roll over their deposits at maturity, thus providing us with a stable source of funding. However, in the event that a substantial number of our depositors do not roll over their deposits or otherwise decide to withdraw their deposited funds, we would need to place increased reliance on alternative sources of funding, some of which may be more expensive than customer deposits, in order to finance our operations. See Item 3.D. Risk Factors Other risks relating to our business Our funding is highly dependent on short-term deposits, which dependence may adversely affect our operations in our Annual Report on Form 20-F for the year ended December 31, 2017 incorporated by reference in this prospectus. In particular, we may increase our utilization of alternative funding sources such as short-term borrowings and cash and cash equivalents (including funds from maturing loans), as well as liquidating our positions in trading and investment securities and using the proceeds to fund parts of our operations, as necessary.

We also obtain funding through borrowings and issuances of debentures to meet our liquidity needs. Borrowings represented 6.4% and 6.9% of our total funding as of December 31, 2017 and June 30, 2018, respectively. Debentures represented 9.8% and 9.3% of our total funding as of December 31, 2017 and June 30, 2018, respectively.

Our liquidity risks arise from withdrawals of deposits and maturities of our borrowings and debentures, as well as our need to fund our lending, trading and investment activities and to manage our trading positions. Our goal in managing our liquidity is to be able, even under adverse conditions, to meet all of our liability repayments on time and to fund all investment opportunities. For a discussion of how we manage our liquidity risk, see Item 11. Quantitative and Qualitative Disclosures about Market Risk Liquidity Risk Management in our Annual Report on Form 20-F for the year ended December 31, 2017 incorporated by reference in this prospectus.

Table of Contents

The Financial Services Commission requires each Korean bank to maintain specific Won and foreign currency liquidity ratios. These ratios require us to keep our ratio of liquid assets to liquid liabilities above certain minimum levels. For a description of these requirements, see Item 4.B. Business Overview Supervision and Regulation Principal Regulations Applicable to Banks Liquidity in our Annual Report on Form 20-F for the year ended December 31, 2017 incorporated by reference in this prospectus.

Contractual Obligations and Off-Balance Sheet Arrangements

The following table sets forth our contractual obligations as of June 30, 2018:

	Payments due by period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
			(in billions of Won)		
Contractual obligations					
Borrowing obligations[1]	₩ 16,185	₩ 12,401	₩ 2,558	₩ 681	₩ 545
Debenture obligations[1]	28,724	7,372	13,254	5,372	2,726
Deposits[2][3]	240,721	231,089	6,610	877	2,145
Operating lease obligations	1,631	272	536	530	293
Purchase obligations	94	19	29	30	16
Employee severance plan obligations	2,550	50	173	135	2,192
Total	₩ 289,905	₩ 251,203	₩ 23,160	₩ 7,625	₩ 7,917

(1) Includes estimated future interest payments, which have been estimated using contractual interest rates and scheduled contractual maturities of the outstanding borrowings and debentures as of June 30, 2018. In order to calculate future interest payments on debts with floating rates, we used contractual interest rates as of June 30, 2018.

(2) Comprising certificates of deposit, other time deposits and installment deposits.

(3) Includes estimated future interest payments, which have been estimated using weighted average interest rates paid for the first six months of 2018 for each deposit product category and their scheduled contractual maturities.

We utilize credit-related financial instruments with off-balance sheet risk in our normal course of business. The primary purpose of those instruments is to generate fee income for us, in return for making credit support and funds available to our customers as required. Such instruments consist primarily of guarantees, commercial letters of credit and unused lines of credit. Guarantees include guarantees for loans, debentures, trade financing arrangements and guarantees for other financings. Contingent liabilities for which guaranteed amounts are not finalized appear as off-balance sheet items in the notes to the financial statements. Such contingent liabilities include, among others, contingent liabilities relating to trade financings and derivatives contracts with respect to foreign exchange rates and interest rates.

We also enter into transactions with certain structured entities, including through the purchase of their subordinated debt and the provision of credit facilities to them. For further information, see Notes 1-(5) and 1-(6) of the notes to our unaudited consolidated interim financial statements included elsewhere in this prospectus.

60

Table of Contents

The following table sets forth our off-balance sheet guarantees and commitments as of the dates indicated:

	As of December 31, 2017	As of June 30, 2018
	(in billions of Won)	
Confirmed guarantees	₩ 6,875	₩ 6,563
Guarantee for loans	157	141
Acceptances	321	333
Guarantees in acceptances of imported goods	108	107
Other confirmed guarantees	6,289	5,982
Unconfirmed guarantees	4,527	4,510
Local letter of credit	383	365
Letter of credit	3,638	3,208
Other unconfirmed guarantees	506	937
Commercial paper purchase commitments and others	1,458	1,300
Loan commitments and others:		
Loans	80,760	98,251
Others	4,546	5,943

We analyze our off-balance sheet legally binding credit-related commitments for possible losses associated with such commitments. We review the ability of the counterparties of the underlying credit-related commitments to perform their obligations under the commitments and, if we determine that a loss is probable and estimable, we establish allowances for possible losses in a manner similar to allowances that we would establish with respect to a loan granted under the terms of the applicable commitment. These allowances are reflected as provisions in our statement of financial position. As of June 30, 2018, we had established provisions for possible losses of ₩209 billion with respect to our credit-related commitments.

Capital Adequacy

We are subject to the capital adequacy requirements of the Financial Services Commission. The requirements applicable commencing in December 2013 pursuant to amended Financial Services Commission regulations promulgated in July 2013 were formulated based on Basel III, which was first introduced by the Basel Committee on Banking Supervision, Bank for International Settlements in December 2009. Under the amended Financial Services Commission regulations, all banks in Korea are required to maintain certain minimum ratios of Tier I common equity capital, total Tier I capital and total Tier I and Tier II capital to risk-weighted assets. See Item 4.B. Business Overview Supervision and Regulation Principal Regulations Applicable to Banks Capital Adequacy in our Annual Report on Form 20-F for the year ended December 31, 2017 incorporated by reference in this prospectus.

If a bank fails to maintain its capital adequacy ratios, the Korean regulatory authorities may impose penalties on such bank ranging from a warning to suspension or revocation of its license. See Item 3.D. Risk Factors Other risks relating to our business We may be required to raise additional capital if our capital adequacy ratio deteriorates or the applicable capital requirements change in the future, but we may not be able to do so on favorable terms or at all in our Annual Report on Form 20-F for the year ended December 31, 2017 incorporated by reference in this prospectus.

61

The following table sets forth a summary of our capital and capital adequacy ratios as of December 31, 2017 and June 30, 2018 based on IFRS and applicable regulatory reporting standards:

	As of December 31, 2017	As of June 30, 2018
	(in billions of Won, except percentages)	
Tier I capital		
Tier I common equity capital		
Capital stock	₩ 3,381	₩ 3,381
Capital surplus	286	286
Retained earnings	15,620	16,473
Non-controlling interests in consolidated subsidiaries	19	20
Others	(3,231)	(3,207)
Additional Tier I capital		
Hybrid securities	3,006	2,732
Other equity	35	16
Total Tier I capital	₩ 19,116	₩ 19,701
Tier II capital		
Allowance for credit losses[1]	₩ 78	₩ 198
Subordinated debt	1,870	1,508
Valuation gain on investment securities		
Others	1,539	1,793
Total Tier II capital	₩ 3,487	₩ 3,499
Total Tier I and Tier II capital	₩ 22,603	₩ 23,200
Risk-weighted assets		
Credit risk-weighted assets	₩ 134,768	₩ 139,869
Market risk-weighted assets	2,317	2,293
Operational risk-weighted assets	9,677	9,827
Total	₩ 146,762	₩ 151,989
Tier I common equity capital ratio	10.95%	11.15%
Total Tier I capital ratio	13.03	12.96
Tier II capital ratio	2.37	2.30
Total Tier I and Tier II capital ratio	15.40	15.26

(1) Allowance for credit losses in respect of credits classified as normal or precautionary is used to calculate Tier II capital only to the extent such allowances represent up to 1.25% of risk-weighted assets.

62

Table of Contents

SUPERVISION AND REGULATION OF WOORI FINANCIAL GROUP

Principal Regulations Applicable to Financial Holding Companies

General

The Financial Holding Company Act, last amended on October 31, 2017, regulates Korean financial holding companies and their subsidiaries. The entities that regulate and supervise Korean financial holding companies and their subsidiaries are the Financial Services Commission and the Financial Supervisory Service.

The Financial Services Commission exerts direct control over financial holding companies pursuant to the Financial Holding Company Act. Among other things, the Financial Services Commission approves the establishment of financial holding companies, issues regulations on the capital adequacy of financial holding companies and their subsidiaries, and drafts regulations relating to the supervision of financial holding companies.

Following the instructions and directives of the Financial Services Commission, the Financial Supervisory Service supervises and examines financial holding companies and their subsidiaries. In particular, the Financial Supervisory Service sets requirements relating to Korean financial holding companies liquidity and capital adequacy ratios and establishes reporting requirements within the authority delegated under the Financial Services Commission regulations. Financial holding companies must submit quarterly reports to the Financial Supervisory Service discussing business performance, financial status and other matters identified in the Enforcement Decree of the Financial Holding Company Act.

Under the Financial Holding Company Act, a financial holding company is a company which primarily engages in controlling its subsidiaries by holding equity stakes in them equal in aggregate to at least 50% of the financial holding company s aggregate assets based on its balance sheet as of its date of establishment in its year of establishment or the end of the immediately preceding fiscal year in all other years. A company is required to obtain approval from the Financial Services Commission to become a financial holding company.

A financial holding company may engage only in controlling the management of its subsidiaries, as well as certain ancillary activities including:

- financially supporting its direct and indirect subsidiaries;
- raising capital necessary for investment in its subsidiaries or providing financial support to its direct and indirect subsidiaries;
- supporting the business of its direct and indirect subsidiaries, including the development and marketing of financial products;
- providing data processing, legal, accounting and other resources and services that have been commissioned by its direct and indirect subsidiaries so as to support their operations; and

any other businesses exempted from authorization, permission or approval under the applicable laws and regulations.

The Financial Holding Company Act requires every financial holding company (other than a financial holding company that is controlled by another financial holding company) and its subsidiaries to obtain prior approval from the Financial Services Commission before acquiring control of another company or to file a report with the Financial Services Commission within 30 days thereafter in certain cases (including acquiring control of another company whose assets are less than ₩100 billion as of the end of the immediately preceding fiscal year). In addition, the Financial Services Commission must grant permission for a financial holding company to liquidate or to merge with any other company before the liquidation or merger. A financial holding company must report to the Financial Services Commission when certain events, including the following, occur:

when the largest shareholder changes;

in the case of a bank holding company, when a major investor changes;

63

Table of Contents

- when the shareholding of the controlling shareholder (i.e., the largest shareholder or a principal shareholder, each as defined in the Financial Holding Company Act) or a person who has a special relationship with such controlling shareholder (as defined in the Enforcement Decree of the Financial Holding Company Act) changes by 1% or more of the total issued and outstanding voting shares of the financial holding company;

- when it changes its corporate name;

- when there is a cause for its dissolution;

- when it or its subsidiaries cease to control any of their respective direct or indirect subsidiaries by disposing of their shares of such direct or indirect subsidiary; and

- cases where the management soundness of a financial holding company or its subsidiary is expected to be undermined, as prescribed by the Enforcement Decree of the Financial Holding Company Act, which include the following:

  - when it becomes criminally liable for an act pursuant to the Financial Holding Company Act;

  - when it becomes party to a lawsuit that may materially affect its business as a financial holding company;

  - when there is an application for its bankruptcy or commencement of rehabilitation procedures pursuant to the Debtor Rehabilitation and Bankruptcy Act;

  - when it receives a disposition for failure to make tax payments or is penalized for violating a tax-related law;

  - when it fails to meet the requirements of a financial holding company; and

  - when a financial institution that is a subsidiary, etc. of the financial holding company acquires the stock of another company that is subject to rehabilitation proceedings under the Corporate Restructuring Promotion Act or a joint management process pursuant to a voluntary agreement among creditors for corporate reorganization or the Debtor Rehabilitation and Bankruptcy Act, through a debt-to-equity swap for purposes of reorganization.

Capital Adequacy

The Financial Holding Company Act does not provide for a minimum paid-in capital requirement related to financial holding companies. However, all financial holding companies are required to maintain a specified level of solvency. In addition, with respect to the allocation of net profit earned in a fiscal term, a financial holding company must set aside in its legal reserve an amount equal to at least 10% of its net income after tax each time it pays dividends on its net profits earned until its legal reserve reaches at least the aggregate amount of its paid-in capital.

A bank holding company, which is a financial holding company controlling banks or other financial institutions conducting banking business as prescribed in the Financial Holding Company Act, was required to maintain a total minimum consolidated capital adequacy ratio of 9.75% (including applicable additional capital buffers and requirements as described below) as of December 31, 2017. Consolidated capital adequacy ratio is defined as the ratio of equity capital as a percentage of risk-weighted assets on a consolidated basis, determined in accordance with the Financial Services Commission requirements that have been formulated based on Bank of International Settlements, or BIS, standards. Equity capital, as applicable to bank holding companies, is defined as the sum of common equity Tier I capital, additional Tier I capital and Tier II capital less any deductible items, each as defined under the Regulation on the Supervision of Financial Holding Companies. Risk-weighted assets is defined as the sum of credit risk-weighted assets and market risk-weighted assets.

64

Table of Contents

Pursuant to amended regulations promulgated by the Financial Services Commission commencing in 2013 to implement Basel III, Korean bank holding companies were required to maintain a minimum ratio of common equity Tier I capital to risk-weighted assets of 3.5% and Tier I capital to risk-weighted assets of 4.5% from December 1, 2013, which minimum ratios were increased to 4.0% and 5.5%, respectively, from January 1, 2014 and increased further to 4.5% and 6.0%, respectively, from January 1, 2015. Such requirements are in addition to the pre-existing requirement for a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets of 8.0%, which remains unchanged. The amended regulations also require an additional capital conservation buffer of 1.25% in 2017 and 1.875% in 2018, with such buffer to increase to 2.5% in 2019, as well as a potential counter-cyclical capital buffer of up to 2.5%, which is determined on a quarterly basis by the Financial Services Commission. Furthermore, we were designated as one of six domestic systemically important banks for 2017 and 2018 by the Financial Services Commission, which would have subjected our bank holding company to an additional capital requirement of 0.50% in 2017 and 0.75% in 2018, with such potential requirement to increase to 1.0% in 2019.

Liquidity

All financial holding companies are required to match the maturities of their assets and liabilities on a non-consolidated basis in accordance with the Financial Holding Company Act in order to ensure liquidity. Financial holding companies must:

- maintain a Won liquidity ratio (defined as Won assets due within one month, including marketable securities, divided by Won liabilities due within one month) of not less than 100% on a non-consolidated basis;

- maintain a foreign currency liquidity ratio (defined as foreign currency liquid assets due within three months divided by foreign currency liabilities due within three months) of not less than 80% on a non-consolidated basis (except that such requirement is not applicable to a financial holding company whose foreign currency liabilities constitute less than 1% of its total assets);

- maintain a ratio of foreign currency liquid assets due within seven days less foreign currency liabilities due within seven days as a percentage of total foreign currency assets of not less than 0% on a non-consolidated basis (except that such requirement is not applicable to a financial holding company whose foreign currency liabilities constitute less than 1% of its total assets);

- maintain a ratio of foreign currency liquid assets due within a month less foreign currency liabilities due within a month as a percentage of total foreign currency assets of not less than negative 10% on a non-consolidated basis (except that such requirement is not applicable to a financial holding company whose foreign currency liabilities constitute less than 1% of its total assets); and

- make quarterly reports regarding their Won liquidity and foreign currency liquidity to the Financial Supervisory Service.

Financial Exposure to Any Individual Customer and Major Investor

Subject to certain exceptions, the aggregate credit (as defined in the Financial Holding Company Act, the Bank Act, the Financial Investment Services and Capital Markets Act, the Insurance Business Act, the Mutual Savings Bank Act and the Specialized Credit Financial Business Act, respectively) of a financial holding company and its direct and indirect subsidiaries that are banks, merchant banks, financial investment companies, insurance companies, savings banks or specialized credit financial business companies (which we refer to as Financial Holding Company Total Credit) to a single group of companies that belong to the same conglomerate as defined in the Monopoly Regulations and Fair Trade Act will not be permitted to exceed 25% of net aggregate equity capital (as defined below).

Table of Contents

Net aggregate equity capital is defined under the Enforcement Decree of the Financial Holding Company Act as the sum of:

(1) in case of a financial holding company, the capital amount as defined in Article 24-3(7), Item 2 of the Enforcement Decree of the Financial Holding Company Act;

(2) in case of a bank, the capital amount as defined in Article 2(1), Item 5 of the Bank Act;

(3) in case of a merchant bank, the capital amount as defined in Article 342(1) of the Financial Investment Services and Capital Markets Act; and

(4) in case of a financial investment company, the capital amount as defined in Article 37(3) of the Enforcement Decree of the Financial Investment Services and Capital Markets Act;

(5) in case of an insurance company, the capital amount as defined in Article 2, Item 15 of the Insurance Business Act;

(6) in case of a savings bank, the capital amount as defined in Article 2, Item 4 of the Mutual Savings Bank Act; and

(7) in case of a specialized credit financial business company, the capital amount as defined in Article 2, Item 19 of the Specialized Credit Financial Business Act;

less the sum of:

(1) the amount of shares of direct and indirect subsidiaries held by the financial holding company;

(2) the amount of shares that are cross-held by each direct and indirect subsidiary that is a bank, merchant bank, financial investment company, insurance company, savings bank or specialized credit financial business company; and

(3) the amount of shares of a financial holding company held by such direct and indirect subsidiaries that are banks, merchant banks, financial investment companies, insurance companies, savings banks or specialized credit financial business companies.

The Financial Holding Company Total Credit to a single individual or judicial person may not exceed 20% of the net aggregate equity capital. In addition, the Financial Holding Company Total Credit to a shareholder holding (together with the persons who have a special relationship with the shareholder, as defined in the Enforcement Decree of the

Financial Holding Company Act) in aggregate more than 10% of the total issued and outstanding voting shares of a financial holding company generally may not exceed the lesser of (x) 25% of the net aggregate equity capital and (y) the amount of the equity capital of the financial holding company multiplied by the shareholding ratio of the shareholder (together with the persons who have a special relationship with the shareholder).

Further, the total sum of credits (as defined in the Financial Holding Company Act, the Bank Act, the Financial Investment Services and Capital Markets Act, the Insurance Business Act, the Mutual Savings Bank Act and the Specialized Credit Financial Business Act, respectively) of a bank holding company and its direct and indirect subsidiaries that are banks, merchant banks, financial investment companies, insurance companies, savings banks or specialized credit financial business companies as applicable (Bank Holding Company Total Credit) extended to a major investor (as defined below) (together with the persons who have a special relationship with that major investor) will not be permitted to exceed the lesser of (x) 25% of the net aggregate equity capital and (y) the amount of the equity capital of the bank holding company multiplied by the shareholding ratio of the major investor, except for certain cases.

Major investor is defined as:

- a shareholder holding (together with persons who have a special relationship with that shareholder), in excess of 10% (or in the case of a bank holding company controlling regional banks only, 15%) in the aggregate of the bank holding company s total issued and outstanding voting shares; or a shareholder holding (together with persons who have a special relationship with that shareholder), more than 4% in the aggregate of the total issued and outstanding voting shares of the bank holding company controlling nationwide banks, where the shareholder is the largest shareholder or has actual control over the major business affairs of the bank holding company through, for example, appointment and dismissal of the officers pursuant to the Enforcement Decree of the Financial Holding Company Act.

In addition, the total sum of the Bank Holding Company Total Credit granted to all of a bank holding company s major investor must not exceed 25% of the bank holding company s net aggregate equity capital. Furthermore, any bank holding company that, together with its direct and indirect subsidiaries, intends to extend credit to the bank holding company s major investor in an amount equal to or exceeding the lesser of (x) the amount equivalent to 0.1% of the net aggregate equity capital and (y) ₩5 billion, in any single transaction, must obtain prior unanimous board resolutions and then, immediately after providing the credit, must file a report to the Financial Services Commission and publicly disclose the filing of the report.

Restrictions on Transactions Among Direct and Indirect Subsidiaries and Financial Holding Company

Generally, a direct or indirect subsidiary of a financial holding company may not extend credits (excluding the amount of corporate credit card payments issued by a direct or indirect subsidiary of a financial holding company that is engaged in the banking business) to that financial holding company. In addition, a direct or indirect subsidiary of a financial holding company may not extend credits (excluding the amount of corporate credit card payments issued by a direct or indirect subsidiary of a financial holding company that is engaged in the banking business) to other direct or indirect subsidiaries of the financial holding company in excess of 10% of its capital amount on an individual basis or to those subsidiaries in excess of 20% of its capital amount on an aggregate basis. The subsidiary extending the credit must also obtain an adequate level of collateral depending on the type of such collateral from the other subsidiaries unless the credit is otherwise approved by the Financial Services Commission. The adequate level of collateral for each type of collateral is as follows:

(1) for deposits and installment savings, obligations of the Korean government or the Bank of Korea, obligations guaranteed by the Korean government or the Bank of Korea, obligations secured by securities issued or guaranteed by the Korean government or the Bank of Korea, 100% of the credit extended;

(2) for obligations of municipal governments under the Local Autonomy Act, local public enterprise under the Local Public Enterprises Act and investment institutions and other quasi-investment institutions under the Basic Act on the Management of Government-Invested Institution or for obligations guaranteed by, or secured by the securities issued or guaranteed by, the aforementioned entities pursuant to the relevant regulations, 110% of the credit extended; and

(3) for any property other than those set forth in paragraphs (1) and (2) above, 130% of the credit extended.

Subject to certain exceptions, a direct or indirect subsidiary of a financial holding company is prohibited from owning the shares of any other direct or indirect subsidiaries (other than those directly controlled by that direct or indirect subsidiary) under the common control of the financial holding company.

Subject to certain exceptions, a direct or indirect subsidiary of a financial holding company is also prohibited from owning the shares of the financial holding company controlling that direct or indirect subsidiary. The transfer of certain assets classified as precautionary or below between a financial holding company and its direct or indirect subsidiary or between the direct and indirect subsidiaries of a financial holding company is prohibited except for:

(1) transfers to a special purpose company, or entrustment with a trust company, for an asset-backed securitization transaction under the Asset-Backed Securitization Act;

(2) transfers to a mortgage-backed securities issuance company for a mortgage securitization transaction;

(3) transfers or in-kind contributions to a corporate restructuring vehicle under the Corporate Restructuring Investment Companies Act; and

(4) transfers to a corporate restructuring company under the Industry Promotion Act.

Disclosure of Management Performance

For the purpose of protecting the depositors and investors in the subsidiaries of financial holding companies, the Financial Services Commission requires financial holding companies to disclose certain material matters including:

(1) financial condition and profit and loss of the financial holding company and its direct and indirect subsidiaries;

(2) fund-raising by the financial holding company and its direct and indirect subsidiaries and the appropriation of such funds;

(3) any sanctions levied on the financial holding company and its direct and indirect subsidiaries under the Financial Holding Company Act or any corrective measures or sanctions under the Law on Improvement of Structure of Financial Industry; and

(4) matters prescribed by the Financial Services Commission to be necessary for the protection of rights of depositors and investors, such as the occurrence of any non-performing assets or financial incident that may have a material adverse effect, or any other event as prescribed in the applicable regulations.

Restrictions on Shareholdings in Other Companies

Generally, a financial holding company may not own (i) more than 5% of the total issued and outstanding shares of another finance-related company, (ii) any shares of its affiliates, other than its direct or indirect subsidiaries or (iii) any shares of a non-finance-related company.

Restrictions on Shareholdings by Direct and Indirect Subsidiaries

Generally, a direct subsidiary of a financial holding company may not control any other company other than, as an indirect subsidiary of the financial holding company:

financial institutions established in foreign jurisdictions;

certain financial institutions which are engaged in any business that the direct subsidiary may conduct without any licenses or permits;

certain financial institutions whose business is related to the business of the direct subsidiary as described by the Enforcement Decree of the Financial Holding Company Act (for example, a bank subsidiary may control only credit information companies, credit card companies and financial investment companies with a dealing, brokerage, collective investment, investment advice, discretionary investment management and/or trust license);

certain financial institutions whose business is related to the financial business as prescribed by the regulations of the Ministry of Strategy and Finance; and

certain companies which are not financial institutions but whose business is related to the financial business of the financial holding company as prescribed by the Enforcement Decree of the Financial Holding Company Act (for example, a finance-related research company or a finance-related information technology company).

68

Table of Contents

Acquisition of such indirect subsidiaries by direct subsidiaries of a financial holding company requires prior permission from the Financial Services Commission or the submission of a report to the Financial Services Commission, depending on the types of the indirect subsidiaries and the amount of total assets of the indirect subsidiaries.

Subject to certain exceptions, an indirect subsidiary of a financial holding company may not control any other company. If an indirect subsidiary of a financial holding company had control over another company at the time it became such an indirect subsidiary, the indirect subsidiary is required to dispose of its interest in the other company within two years from such time.

Restrictions on Transactions between a Bank Holding Company and its Major Investor

A bank holding company and its direct and indirect subsidiaries may not acquire (including through their respective trust accounts) shares issued by the bank holding company s major investor in excess of 1% of the net aggregate equity capital (as defined above). In addition, if those entities intend to acquire shares issued by that major investor in any single transaction equal to or exceeding the lesser of (x) the amount equivalent to 0.1% of the net aggregate equity capital and (y) ₩5 billion, that entity must obtain prior unanimous board resolutions and then, immediately after the acquisition, file a report to the Financial Services Commission and publicly disclose the filing of the report.

Restrictions on Ownership of a Financial Holding Company

Under the Financial Holding Company Act, a financial institution generally may not control a financial holding company. In addition, any single shareholder and persons who have a special relationship with that shareholder may acquire beneficial ownership of up to 10% of the total issued and outstanding shares with voting rights of a bank holding company that controls nationwide banks or 15% of the total issued and outstanding shares with voting rights of a bank holding company that controls only regional banks, subject to certain exceptions. Among others, the Korean government and the Korea Deposit Insurance Corporation are not subject to this limit. Non-financial business group companies (as defined below), however, may not acquire the beneficial ownership of shares of a bank holding company controlling nationwide banks in excess of 4% of that bank holding company s outstanding voting shares unless they obtain the approval of the Financial Services Commission and agree not to exercise voting rights in respect of shares in excess of the 4% limit, in which case they may acquire beneficial ownership of up to 10%. Any other person (whether a Korean national or a foreign investor) may acquire no more than 10% of total voting shares issued and outstanding of a bank holding company controlling nationwide banks unless they obtain approval from the Financial Services Commission in each instance where the total holding will exceed 10% (or 15% in the case of a bank holding company controlling only regional banks), 25% or 33% of the total voting shares issued and outstanding of that bank holding company controlling nationwide banks.

Furthermore, in the case where a person (including Korean and foreign investors, but excluding certain persons prescribed under the Enforcement Decree of the Financial Holding Company Act) (i) acquires in excess of 4% of the total issued and outstanding voting shares of any bank holding company (other than a bank holding company controlling only regional banks), (ii) becomes the largest shareholder of such bank holding company in which such person has acquired in excess of 4% of the total issued and outstanding voting shares, (iii) changes its shareholding in such bank holding company, in which it has acquired in excess of 4% of the total issued and outstanding voting shares, by 1% or more of the total issued and outstanding voting shares of such bank holding company or (iv) is a private equity fund or an investment purpose company holding in excess of 4% of the total outstanding voting shares of a bank holding company and changes its members or shareholders, such person must file a report on such change with the Financial Services Commission (x) in case of (i) and (iii), within ten days after the end of the quarter in which such change occurred, or (y) in case of (ii) and (iv), within 10 days after the end of the month in which such change occurred.

Non-financial business group companies as defined under the Financial Holding Company Act include:

(1) any same shareholder group where the aggregate net assets of all non-financial business companies belonging to that group equals or exceeds 25% of the aggregate net assets of all members of that group;

(2) any same shareholder group where the aggregate assets of all non-financial business companies belonging to that group equals or exceeds ₩2 trillion;

(3) any mutual fund where a same shareholder group identified in (1) or (2) above beneficially owns and/or exercises the voting rights of more than 4% of the total issued and outstanding voting shares of that mutual fund;

(4) any private equity fund (a) where a person falling under any of items (1) through (3) above is a limited partner holding not less than 10% of the total amount of contributions to the private equity fund, or (b) where a person falling under any of items (1) through (3) above is a general partner, or (c) where the total equity of the private equity fund acquired by each affiliate belonging to several enterprise groups subject to the limitation on mutual investment is 30% or more of the total amount of contributions to the private equity fund; or

(5) the investment purpose company concerned, where a private equity fund falling under item (4) above acquires or holds stocks in excess of 4% of the stock or equity of such company or exercises de facto control over significant managerial matters of such company through appointment or dismissal of executives or in any other manner.

Sharing of Customer Information among Financial Holding Company and its Subsidiaries

Under the Act on Use and Protection of Credit Information, any individual customer s credit information must be disclosed or otherwise used by financial institutions only to determine, establish or maintain existing commercial transactions with them and only after obtaining written consent to use that information. In addition, under the Act on Real Name Financial Transactions and Confidentiality, an individual working at a financial institution may not provide or reveal information or data concerning the contents of financial transactions to other persons unless such individual receives a request or consent in writing from the holder of a title deed, except under certain exceptions stipulated in the Act. Under the Financial Holding Company Act, a financial holding company and its direct and indirect subsidiaries, however, may share certain credit information of individual customers among themselves for internal management purposes outlined in the Enforcement Decree of the Financial Holding Company Act (such as credit risk management, internal control and customer analysis), without the customers written consent, subject to the methods and procedures for provision of such information set forth therein. A subsidiary financial investment company with a dealing and/or brokerage license of a financial holding company may provide that financial holding company and its other direct and indirect subsidiaries information relating to the aggregate amount of cash or securities that a customer of the financial investment company with a dealing and/or brokerage license has deposited, for internal management purposes outlined in the Enforcement Decree of the Financial Holding Company Act, subject to the methods and procedures for provision of such information set forth therein. Recent amendments to the Financial

Holding Company Act, which became effective on November 29, 2014, limit the scope of credit information that may be shared without the customers prior consent and require certain procedures for provision of customer information as prescribed by the Financial Services Commission. Beginning on November 29, 2014, notice must be given to customers at least once a year regarding (i) the provider of customer information, (ii) the recipient of customer information, (iii) the purpose of providing the information and (iv) the categories of the information provided.

Table of Contents

Principal Regulations Applicable to Banks, Credit Card Operations and Other Matters

For a description of the principal regulations applicable to banks and credit card operations, regulations on class action suits regarding securities in Korea, the regulations on the financial investment business and the Act on the Corporate Governance of Financial Institutions, see Item 4.B. Business Overview Supervision and Regulation in our Annual Report on Form 20-F for the year ended December 31, 2017, which is incorporated by reference into this prospectus.

Table of Contents

DESCRIPTION OF WOORI BANK S CAPITAL STOCK

For a description of the material terms of our capital stock under the articles of incorporation currently in effect, and of certain relevant provisions of the Korean Commercial Code, the Financial Investment Services and Capital Market Act and certain related laws of Korea, see Item 10.B. Memorandum and Articles of Association Description of Capital Stock in our Annual Report on Form 20-F for the year ended December 31, 2017, which is incorporated by reference into this prospectus.

Table of Contents

DESCRIPTION OF WOORI FINANCIAL GROUP S CAPITAL STOCK

Capital Stock

Total Shares. Woori Financial Group initially will have authority to issue a total of 4,000,000,000 shares of capital stock. Woori Financial Group s proposed articles of incorporation provide that Woori Financial Group will be authorized to issue various types of class shares, which include shares of voting and non-voting preferred stock, convertible stock, redeemable preferred stock and hybrid securities comprising one or more elements of the foregoing types of shares, up to one-half of all of the issued and outstanding shares of common stock. Woori Financial Group s proposed articles of incorporation also allow its shareholders, by special resolution, to grant to its officers, directors and employees stock options exercisable for up to 15% of the total number of all of the issued and outstanding shares. Woori Financial Group s board of directors may also grant stock options exercisable for up to 1% of all of the issued and outstanding shares to persons other than its directors. However, any grant by Woori Financial Group s board of directors must be approved by Woori Financial Group s shareholders at their next general meeting convened immediately after the grant date.

Common Stock. Following completion of the stock transfer, we anticipate that approximately 673 million shares of Woori Financial Group common stock will be outstanding.

Class Shares. Following completion of the stock transfer, we anticipate that no class shares of Woori Financial Group will be outstanding.

Employee Stock Options. Following completion of the stock transfer, we anticipate that no stock options of Woori Financial Group will be outstanding.

Share certificates of Woori Financial Group common stock will be issued in denominations of one, five, 10, 50, 100, 500, 1,000 and 10,000 shares, which may be split or reverse split upon the request of a shareholder.

Proposed Articles of Incorporation

This section of the prospectus describes the material terms of the capital stock of Woori Financial Group under the proposed articles of incorporation that are expected to be in effect immediately after the stock transfer is completed. This section also briefly summarizes certain relevant provisions of the Korean Commercial Code, the Financial Investment Services and Capital Markets Act, the Financial Holding Company Act of Korea and certain related laws of Korea, as all currently in effect. The terms of the proposed Woori Financial Group articles of incorporation, as well as the terms of the Korean Commercial Code, the Financial Investment Services and Capital Markets Act, the Financial Holding Company Act and the other related laws of Korea, are more detailed than the general information provided below.

Organization and Register

Woori Financial Group will be a holding company established under the Financial Holding Company Act. Upon its incorporation, it will be registered with the commercial registry office of the Seoul Central District Court.

Dividends and Other Distributions

Dividends. Dividends will be distributed to Woori Financial Group shareholders in proportion to the number of shares of the relevant class of capital stock owned by each shareholder following approval by the shareholders at an annual general meeting of shareholders. Subject to the requirements of the Korean Commercial Code and other applicable laws and regulations, we expect Woori Financial Group to pay full annual dividends on newly issued shares for the year in which the new shares are issued.

Table of Contents

Woori Financial Group will declare its dividend (if any) annually at the annual general meeting of shareholders, which will generally be held within three months after the end of each fiscal year. Once declared, the annual dividend must be paid to the shareholders of record as of the end of the preceding fiscal year within one month after the annual general meeting. Annual dividends may be distributed in cash or in stock. Cash dividends may be paid out of retained earnings that have not been appropriated to statutory reserves. In addition to the annual dividend, Woori Financial Group may also declare and distribute in cash, interim dividends once a year pursuant to a resolution by the board of directors.

Under the Korean Commercial Code and Woori Financial Group s proposed articles of incorporation, Woori Financial Group will not have an obligation to pay any annual dividend unclaimed for five years from the payment date.

The Financial Holding Company Act and related regulations require that each time a Korean financial holding company pays an annual dividend, it must set aside in its legal reserve to stated capital an amount equal to at least one-10th of its net income after tax until the amount set aside reaches at least the aggregate amount of its stated capital. Unless it sets aside this amount, a Korean financial holding company may not pay an annual dividend. We expect Woori Financial Group to set aside allowances for loan losses and reserves for severance pay in addition to this legal reserve.

Distribution of Free Shares. In addition to permitting dividends in the form of shares to be paid out of retained or current earnings, the Korean Commercial Code permits a company to distribute to its shareholders, in the form of free shares, an amount transferred from the capital surplus or legal reserve to stated capital. These free shares must be distributed pro rata to all shareholders.

Preemptive Rights and Issuances of Additional Shares

Unless otherwise provided in the Korean Commercial Code, a company may issue authorized but unissued shares at such times and upon such terms as the board of directors of the company may determine. The company must offer the new shares on uniform terms to all shareholders who have preemptive rights and who are listed on the shareholders register as of the applicable record date. Woori Financial Group shareholders will be entitled to subscribe for any newly issued shares in proportion to their existing shareholdings. However, Woori Financial Group s proposed articles of incorporation provide that new shares may be issued to persons other than existing shareholders if such shares are:

- publicly offered pursuant to Article 165-6 of the Financial Investment Services and Capital Markets Act (where the number of shares so offered may not exceed 50% of the total number of issued shares of Woori Financial Group);