WOORI FINANCE HOLDINGS CO LTD
Form 20-F
April 30, 2014

Table of Contents

As filed with the Securities and Exchange Commission on April 30, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2013

OR

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

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

For the transition period from to

Commission file number 001-31811

Woori Finance Holdings Co., Ltd.

(Exact name of Registrant as specified in its charter)

Woori Finance Holdings Co., Ltd.

(Translation of Registrant s name into English)

The Republic of Korea

(Jurisdiction of incorporation or organization)

51, Sogong-ro, Jung-gu, Seoul 100-792, Korea

(Address of principal executive offices)

Kwansic Lee

51, Sogong-ro, Jung-gu, Seoul 100-792, Korea

Telephone No.: +82-2-2125-2136

Facsimile No.: +82-2-0505001-2136

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

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

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

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

None

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

None

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

806,013,340 shares of Common Stock, par value 5,000 per share

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

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

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

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

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

x Large accelerated filer	¨ Accelerated Filer	¨ Non-accelerated filer

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

¨ U.S. GAAP	x International Financial Reporting Standards as issued by the International Accounting Standards Board	¨ Other

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

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

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

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

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

TABLE OF CONTENTS

Table of Contents

Table of Contents

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The financial statements included in this annual report are prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. As such, we make an explicit and unreserved statement of compliance with IFRS as issued by the IASB with respect to our consolidated financial statements as of and for the years ended December 31, 2011, 2012 and 2013 included in this annual report. Unless indicated otherwise, the financial information in this annual report (i) as of and for the years ended December 31, 2010, 2011, 2012 and 2013 has been prepared in accordance with IFRS as issued by the IASB, and (ii) as of and for the year ended December 31, 2009 has been prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, which is not comparable to information prepared in accordance with IFRS.

In accordance with rule amendments adopted by the U.S. Securities and Exchange Commission which became effective on March 4, 2008, we are not required to provide a reconciliation to U.S. GAAP.

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

Acquisitions and other transactions that we have effected in recent years may affect the direct comparability of the historical financial information included in this annual report as of and for different dates and periods:

- in March 2011, we acquired certain assets and assumed certain liabilities of Samhwa Mutual Savings Bank through our wholly-owned consolidated subsidiary, Woori FG Savings Bank Co., Ltd., which was established in connection with such transaction. In September 2012, we acquired certain assets and assumed certain liabilities of Solomon Mutual Savings Bank, also through Woori FG Savings Bank Co., Ltd;

- in October 2012, we established Woori Finance Research Institute as a consolidated subsidiary; and

- in April 2013, we effected a spin-off of the credit card business of Woori Bank into a newly established wholly-owned subsidiary, Woori Card.

See Item 5A. Operating Results Overview Acquisitions.

The Korean government, which currently owns 56.97% of our outstanding common stock through the Korea Deposit Insurance Corporation, or the KDIC, is in the process of implementing a privatization plan with respect to us and our subsidiaries. Pursuant to such plan, in May 2014, we plan to establish two new companies, KJB Financial Group Co., Ltd. and KNB Financial Group Co., Ltd., through a spin-off of our businesses related to the holding of the shares and thereby controlling the business operations of Kwangju Bank and Kyongnam Bank, respectively. As a result of such spin-off, KJB Financial Group will own the shares of Kwangju Bank currently held by us, and KNB Financial Group will own the shares of Kyongnam Bank currently held by us. We will no longer own any shares of Kwangju Bank or Kyongnam Bank, and neither they nor their new holding companies will be our subsidiaries, after the spin-off. In addition, in March 2014, we sold our 52% ownership interest in Woori Financial Co., Ltd. to KB Financial Group Inc. We also entered into share purchase agreements for (i) the sale of our 100% ownership interest in Woori Asset Management Co., Ltd. to Kiwoom Securities Co., Ltd. in February 2014, (ii) the sale of our 100% ownership interest in Woori F&I to Daishin Securities Co., Ltd. in April 2014 and (iii) the collective sale of our 37.9% ownership interest in Woori Investment & Securities Co. Ltd., 51.6% ownership interest in Woori Aviva Life Insurance Co., Ltd. and 100% ownership interest in Woori FG Savings Bank to NongHyup Financial Group Inc. in April 2014. See Item 4A. History and Development of the Company Privatization Plan. In light of such planned dispositions, the operations of Kwangju Bank, Kyongnam Bank, Woori Investment & Securities, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I have been classified as a disposal group held for distribution or sale, and their operations have been accounted for as discontinued operations, in our consolidated financial statements as of and for the year ended December 31, 2013 included in this annual report. Similarly, our consolidated statements of comprehensive income for the years ended December 31, 2011 and 2012 included in this annual report have been restated to account for such entities as discontinued operations. However, our

Table of Contents

consolidated statements of financial position as of December 31, 2011 and 2012 included in this annual report have not been so restated. Accordingly, in general, our financial information as of December 31, 2013 and for the years ended December 31, 2010, 2011, 2012 and 2013 appearing in this annual report does not include financial data with respect to such discontinued operations, while our financial information as of December 31, 2010, 2011 and 2012 appearing in this annual report includes financial data with respect to such discontinued operations. As a result, our financial information as of December 31, 2013 and for the years ended December 31, 2010, 2011, 2012 and 2013 may not be directly comparable to our financial information as of and for other dates and periods.

In this annual report:

- references to we, us or Woori Finance Holdings are to Woori Finance Holdings Co., Ltd. and, unless the context otherwise requires, its subsidiaries (excluding discontinued operations);
- references to Korea are to the Republic of Korea;
- references to the government are to the government of the Republic of Korea;
- references to Won or are to the currency of Korea; and
- references to U.S. dollars, $ or US$ are to United States dollars.

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

For your convenience, this annual report contains conversions of Won amounts into U.S. dollars at the noon buying rate of the Federal Reserve Bank of New York for Won in effect on December 31, 2013, which was 1,055.3 = US$1.00.

Table of Contents

FORWARD-LOOKING STATEMENTS

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

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

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

- a change or delay in, or cancellation of, the Korean government s privatization plan with respect to us and our subsidiaries;
- our ability to successfully implement our strategy;
- future levels of non-performing loans;
- our growth and expansion;
- the adequacy of allowances for credit and other losses;
- technological changes;
- interest rates;
- investment income;
- availability of funding and liquidity;
- our exposure to market risks; and
- adverse market and regulatory conditions.

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

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

- general economic and political conditions in Korea or other countries that have an impact on our business activities or investments;
- the monetary and interest rate policies of Korea;
- inflation or deflation;
- unanticipated volatility in interest rates;

- foreign exchange rates;
- prices and yields of equity and debt securities;
- the performance of the financial markets in Korea and globally;
- changes in domestic and foreign laws, regulations and taxes;
- changes in competition and the pricing environment in Korea; and
- regional or general changes in asset valuations.

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

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

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable

Item 3. KEY INFORMATION

Item 3A. *Selected Financial Data*

The selected consolidated financial and operating data set forth below as of and for the years ended December 31, 2010, 2011, 2012 and 2013 have been derived from our audited consolidated financial statements, which have been prepared in accordance with IFRS as issued by the IASB. Our consolidated financial statements as of and for the years ended December 31, 2010, 2011, 2012 and 2013 have been audited by Deloitte Anjin LLC, an independent registered public accounting firm.

Pursuant to the transitional relief granted by the U.S. Securities and Exchange Commission in respect of the first-time application of IFRS, financial and operating data as of and for the year ended December 31, 2009 derived from our consolidated financial statements prepared in accordance with U.S. GAAP have not been included below.

The Korean government, which currently owns 56.97% of our outstanding common stock through the KDIC, is in the process of implementing a privatization plan with respect to us and our subsidiaries. As a result, Kwangju Bank, Kyongnam Bank, Woori Investment & Securities, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I have been classified as a disposal group held for distribution or sale in our consolidated statement of financial position as of December 31, 2013 (but not as of prior dates) and have been accounted for as discontinued operations in our consolidated statements of comprehensive income for the years ended December 31, 2010, 2011, 2012 and 2013. See Item 4A. History and Development of the Company Privatization Plan.

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

Table of Contents

Consolidated Statement of Comprehensive Income Data

	Year ended December 31,				
	2010[1]	2011[1][2]	2012[1][2][3]	2013[1][2][3]	2013[1][2][3][4]
	(in billions of Won except per share data)				(in millions of US$ except per share data)
Interest income	10,442	11,095	10,891	9,493	US$ 8,996
Interest expense	(6,255)	(6,206)	(6,043)	(5,001)	(4,739)
Net interest income	4,187	4,889	4,848	4,492	4,257
Fees and commissions income	1,576	1,625	1,687	1,565	1,483
Fees and commissions expense	(420)	(444)	(498)	(639)	(605)
Net fees and commissions income	1,156	1,181	1,189	926	878
Dividends	140	143	101	88	83
Net gain (loss) on financial assets at fair value through profit or loss	22	137	(365)	124	117
Net gain on available-for-sale financial assets	976	1,027	533	(85)	(81)
Impairment losses on credit loss	(2,506)	(1,923)	(1,799)	(2,277)	(2,158)
Other net operating expenses[5]	(2,676)	(3,163)	(2,958)	(3,028)	(2,869)
Operating income	1,299	2,291	1,549	240	227
Share of profits of joint ventures and associates	33	(39)	45	(1)	(1)
Other non-operating income (expense)	(68)	90	44	49	46
Non-operating income	(35)	51	89	48	45
Net income before income tax expense	1,264	2,342	1,638	288	272
Income tax expense	313	559	357	35	33
Income of continuing operations	951	1,783	1,281	253	239
Income (loss) of discontinued operations	650	668	566	(966)	(916)
Net income	1,601	2,451	1,847	(713)	US$ (677)
Remeasurement of the net defined benefit liability		(18)	(51)	9	9
Items not subsequently reclassified to net income		(18)	(51)	9	9
Loss on available-for-sale financial assets	(205)	(375)	(349)	(51)	(48)
Share of other comprehensive gain (loss) of joint ventures and associates	(21)	(38)	57	(6)	(6)
Gain (loss) on overseas business translation	(19)	25	(108)	(60)	(57)
Gain (loss) on valuation of cashflow hedge	9	3	13	(2)	(2)
Items subsequently reclassified to net income	(236)	(385)	(387)	(119)	(113)
Other comprehensive income (loss), net of tax	(236)	(403)	(438)	(110)	(104)
Total comprehensive income (loss)	1,365	2,048	1,409	(823)	US$ (781)
Net income (loss) attributable to owners	1,289	2,154	1,633	(538)	US$ (510)
Income of continuing operations	794	1,636	1,164	162	153
Income (loss) of discontinued operations	495	518	469	(700)	(663)
Net income (loss) attributable to non-controlling interests	312	297	214	(175)	US$ (167)
Income of continuing operations	157	147	117	91	86
Income (loss) of discontinued operations	155	150	97	(266)	(253)
Comprehensive income (loss) attributable to owners	1,052	1,729	1,177	(623)	(591)
Comprehensive income (loss) attributable to non-controlling interests	313	319	232	(200)	(190)
Basic and diluted earnings from continuing and discontinued operations per share	1,599	2,670	1,993	(704)	US$ (0.67)

Basic and diluted earnings from continuing operations per share	985	2,027	1,411	165		0.16
Per common share data:						
Net income (loss) per share basic	1,599	2,670	1,993	(704)	US$	(0.67)
Weighted average common shares outstanding basic (in thousands)	806,013	806,013	806,013	806,013		806,013
Net income (loss) per share diluted	1,599	2,670	1,993	(704)	US$	(0.67)
Weighted average common shares outstanding diluted (in thousands)	806,013	806,013	806,013	806,013		806,013
Cash dividends paid per share	250	250	250		US$	

(1) The amounts for 2010, 2011, 2012 and 2013 reflect the classification of certain subsidiaries as discontinued operations.

(2) The amounts for 2013 reflect a change in our accounting policies pursuant to an amendment to International Accounting Standards, or IAS 19, Employee Benefits, which is effective beginning in 2013. Corresponding amounts for 2012 and 2011 (but not for 2010) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.

(3) The amounts for 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts for 2012 (but not for 2011 or 2010) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.

(4) Won amounts are expressed in U.S. dollars at the rate of 1,055.3 to US$1.00, the noon buying rate in effect on December 31, 2013 as quoted by the Federal Reserve Bank of New York in the United States.

(5) For a description of other net operating expenses, see Note 39 of the notes to our consolidated financial statements.

Table of Contents

Consolidated Statement of Financial Position Data

	As of December 31,				
	2010	**2011(1)**	**2012(1)(2)**	**2013(1)(2)(3)**	**2013(1)(2)(3)(4)**
	(in billions of Won)				(in millions of US$)
Assets					
Cash and cash equivalents	4,871	6,417	5,778	5,478	US$ 5,191
Financial assets at fair value through profit or loss	22,184	25,600	27,352	4,806	4,554
Available-for-sale financial assets	21,998	19,672	18,889	17,085	16,190
Held-to-maturity financial assets	19,886	20,036	18,685	12,039	11,408
Loans and receivables	216,792	235,160	250,276	211,912	200,808
Investments in joint ventures and associates	745	928	1,038	618	585
Investment properties	643	499	492	341	323
Premises and equipment	3,097	3,134	3,186	2,536	2,404
Intangible assets and goodwill	295	448	433	269	255
Assets held for sale	88	56	83	1	1
Current tax assets	9	57	39	143	136
Deferred tax assets	59	80	155	155	147
Derivative assets	131	327	281	131	125
Other assets(5)	379	377	415	179	169
Disposal group held for sale				34,685	32,867
Disposal group held for distribution to owners				50,312	47,676
Total assets	291,177	312,791	327,102	340,690	US$ 322,839
Liabilities					
Financial liabilities at fair value through profit or loss	8,838	9,622	10,986	2,507	US$ 2,376
Deposits due to customers	185,428	195,930	204,210	175,324	166,136
Borrowings	34,266	34,667	33,480	18,232	17,276
Debentures	29,111	29,266	27,960	21,678	20,542
Provisions	761	892	864	685	649
Net defined benefit liability	70	120	166	72	68
Current tax liabilities	174	274	179	10	9
Deferred tax liabilities	213	260	134	49	47
Derivative liabilities	5	33	38	2	2
Other financial liabilities(6)	11,648	19,084	25,544	19,914	18,871
Other liabilities(7)	399	570	508	410	391
Liabilities directly associated with disposal group held for sale				32,048	30,368
Liabilities directly associated with disposal group held for distribution to owners				46,882	44,426
Total liabilities	270,913	290,718	304,069	317,813	US$ 301,161
Equity					
Owners Equity					
Capital stock	4,030	4,030	4,030	4,030	US$ 3,819
Hybrid securities		309	498	498	472
Capital surplus	180	176	174	177	167
Other equity(8)	1,002	563	112	(35)	(34)
Retained earnings	10,489	12,446	13,881	13,113	12,426
Equity related to asset group held for sale				30	28
Equity related to asset group held for distribution to owners				36	34
Non-controlling interests	4,563	4,549	4,338	5,028	4,766
Total equity	20,264	22,073	23,033	22,877	US$ 21,678
Total liabilities and equity	291,177	312,791	327,102	340,690	US$ 322,839

(1) The amounts as of December 31, 2013 reflect a change in our accounting policies pursuant to an amendment to IAS 19, Employee Benefits, which is effective beginning in 2013. Corresponding amounts as of December 31, 2012 and 2011 (but not as of December 31, 2010) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.

(2) The amounts as of December 31, 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts as of December 31, 2012 (but not as of December 31, 2011 or 2010) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.

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

(4) Won amounts are expressed in U.S. dollars at the rate of 1,055.3 to US$1.00, the noon buying rate in effect on December 31, 2013 as quoted by the Federal Reserve Bank of New York in the United States.

(5) For a description of other assets, see Note 18 of the notes to our consolidated financial statements.

(6) For a description of other financial liabilities, see Note 24 of the notes to our consolidated financial statements.

(7) For a description of other liabilities, see Note 24 of the notes to our consolidated financial statements.

(8) For a description of other equity, see Note 29 of the notes to our consolidated financial statements.

Profitability Ratios and Other Data

	Year ended December 31,			
	2010[1]	2011[1]	2012[1][2]	2013[1][2]
	(in billions of Won except percentages)			
Return on average assets[3]	0.55%	0.90%	0.67%	(0.22)%
Return on average equity[4]	9.19	14.20	10.46	(3.45)
Net interest spread[5]	1.75	2.01	1.94	1.83
Net interest margin[6]	1.87	2.14	2.07	1.94
Cost-to-income ratio[7]	44.86	46.12	50.79	59.30
Average equity as a percentage of average total assets	6.01	6.36	6.39	6.50
Total revenue[8]	13,156	14,027	12,847	11,185
Operating expense[9]	9,351	9,813	9,499	8,668
Operating margin[10]	3,805	4,214	3,348	2,517
Operating margin as a percentage of total revenue	28.92%	30.04%	26.06%	22.50%

(1) The amounts for 2010, 2011, 2012 and 2013 reflect the classification of certain subsidiaries as discontinued operations.

(2) The amounts for 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts for 2012 (but not for 2011 or 2010) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.

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

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

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

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

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

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

The following table shows how total revenue is calculated:

	Year ended December 31,			
	2010[a]	2011[a]	2012[a][b]	2013[a][b]
	(in billions of Won)			
Interest income	10,442	11,095	10,891	9,493
Fees and commissions income	1,576	1,625	1,687	1,565
Dividends	140	143	101	88
Net gain (loss) on financial assets at fair value through profit or loss	22	137	(365)	124
Net gain on available-for-sale financial assets	976	1,027	533	(85)
Net gain on held-to-maturity financial assets				
Total revenue	13,156	14,027	12,847	11,185

(a) The amounts for 2010, 2011, 2012 and 2013 reflect the classification of certain subsidiaries as discontinued operations.

Table of Contents

(b) The amounts for 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts for 2012 (but not for 2011 or 2010) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.

(9) Represents interest expense, fees and commissions expense and other net operating expense, excluding impairment losses on credit loss of 2,506 billion, 1,923 billion, 1,799 billion and 2,277 billion for 2010, 2011, 2012 and 2013, respectively.

The following table shows how operating expense is calculated:

	Year ended December 31,			
	2010[a]	2011[a]	2012[a][b]	2013[a][b]
	(in billions of Won)			
Interest expense	6,255	6,206	6,043	5,001
Fees and commissions expense	420	444	498	639
Other net operating expenses[c]	2,676	3,163	2,958	3,028
Operating expense	9,351	9,813	9,499	8,668

(a) The amounts for 2010, 2011, 2012 and 2013 reflect the classification of certain subsidiaries as discontinued operations.

(b) The amounts for 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts for 2012 (but not for 2011 or 2010) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.

(c) The amount for 2013 reflects a change in our accounting policies pursuant to an amendment to IAS 19, Employee Benefits, which is effective beginning in 2013. Corresponding amounts for 2012 and 2011 (but not for 2010) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.

(10) Represents total revenue less operating expense.

Asset Quality Data

	As of December 31,			
	2010	2011	2012[1]	2013[1][2]
	(in billions of Won, except percentages)			
Total loans[3]	201,235	212,492	221,028	193,766
Total non-performing loans[4]	6,550	3,780	3,766	4,996
Other impaired loans not included in non-performing loans[5]	475	238	698	690
Total non-performing loans and other impaired loans[5]	7,025	4,018	4,464	5,685
Total allowance for credit losses	4,718	3,759	3,565	3,337
Non-performing loans as a percentage of total loans	3.25%	1.78%	1.70%	2.58%
Non-performing loans as a percentage of total assets	2.25	1.21	1.15	1.47
Total non-performing loans and other impaired loans as a percentage of total loans	3.49	1.89	2.02	2.93
Allowance for credit losses as a percentage of total loans	2.34	1.77	1.61	1.72

(1) The amounts as of December 31, 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts as of December 31, 2012 (but not as of December 31, 2011 or 2010) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.

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

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

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

(5) Other impaired loans as of December 31, 2010, 2011 and 2012 exclude loans that would otherwise have been considered impaired but were securitized and were held by Woori F&I, our wholly-owned subsidiary, in the aggregate amount of 664 billion, 980 billion and 1,207 billion as of December 31, 2010, 2011 and 2012, respectively.

8

Table of Contents

Selected Financial Information

Average Balances and Related Interest

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

	Year ended December 31, 2011			2012[1]			2013[1]		
	Average Balance[2]	Interest Income[3]	Average Yield	Average Balance[2]	Interest Income[3]	Average Yield	Average Balance[2]	Interest Income[3]	Average Yield
	(in billions of Won, except percentages)								
Assets									
Interest-earning assets									
Due from banks	6,276	53	0.84%	7,781	109	1.40%	9,088	120	1.32%
Loans[4]									
Commercial and industrial	80,588	4,826	5.99	80,377	4,582	5.70	82,875	4,062	4.90
Trade financing	11,874	283	2.38	12,935	296	2.29	12,386	220	1.78
Other commercial	11,729	565	4.82	11,030	449	4.07	9,584	351	3.66
General purpose household[5]	62,519	3,271	5.23	60,840	3,198	5.26	58,770	2,694	4.58
Mortgage	6,345	330	5.20	10,296	520	5.05	15,979	686	4.29
Credit cards[3]	4,344	370	8.52	4,310	318	7.38	4,197	337	8.03
Total loans	177,399	9,645	5.44	179,788	9,363	5.21	183,791	8,350	4.54
Securities									
Trading	7,952	292	3.67	9,221	326	3.54	3,753	109	2.90
Investment[6]	28,569	991	3.47	26,973	1,013	3.76	26,349	860	3.26
Total securities	36,521	1,283	3.51	36,194	1,339	3.70	30,102	969	3.22
Other	8,429	114	1.35	10,893	80	0.73	8,548	54	0.63
Total average interest earning assets	228,625	11,095	4.85	234,656	10,891	4.64	231,529	9,493	4.10
Total average non-interest earning assets	9,828			9,789			8,595		
Total average assets	238,453	11,095	4.65%	244,445	10,891	4.46%	240,124	9,493	3.95%

	Year ended December 31, 2011			2012[1]			2013[1]		
	Average Balance[2]	Interest Expense	Average Cost	Average Balance[2]	Interest Expense	Average Cost	Average Balance[2]	Interest Expense	Average Cost
	(in billions of Won, except percentages)								
Liabilities									
Interest-bearing liabilities									
Deposits due to customers:									
Demand deposits	7,898	20	0.25%	9,641	27	0.28%	9,397	38	0.40%
Time and savings deposits	136,423	4,114	3.02	138,660	4,119	2.97	140,981	3,369	2.39
Certificates of deposit	1,516	65	4.29	694	24	3.46	2,316	65	2.81
Other deposits	16,287	312	1.92	18,131	336	1.85	14,243	178	1.25
Total deposits	162,124	4,511	2.78	167,126	4,506	2.70	166,937	3,650	2.19
Borrowings	19,025	362	1.90	17,830	315	1.77	15,678	254	1.62
Debentures	24,866	1,234	4.96	22,721	1,112	4.89	21,994	961	4.37
Other	12,490	99	0.79	16,438	110	0.67	16,026	136	0.85

Total average interest-bearing liabilities	218,505	6,206	2.84	224,115	6,043	2.70	220,635	5,001	2.27
Total average non-interest-bearing liabilities	4,780			4,722			3,879		
Total average liabilities	223,285	6,206	2.78	228,837	6,043	2.64	224,514	5,001	2.23
Total average equity	15,168			15,608			15,610		
Total average liabilities and equity	238,453	6,206	2.60%	244,445	6,043	2.47%	240,124	5,001	2.08%

(1) The amounts for 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts for 2012 (but not for 2011) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.

Table of Contents

(2) Average balances are based on daily balances for Woori Bank and on quarterly balances for all of our other subsidiaries and our structured companies.
(3) Interest income from credit cards is derived from interest on credit card loans and credit card installment purchases.
(4) Not including other receivables, and prior to deducting allowance for credit losses and present value discount or reflecting deferred origination costs.
(5) Includes home equity loans.
(6) Includes available-for-sale financial assets and held-to-maturity financial assets.

Analysis of Changes in Net Interest Income Volume and Rate Analysis

The following table provides an analysis of changes in interest income, interest expense and net interest income (in each case excluding discontinued operations) based on changes in volume and changes in rate for 2012 compared to 2011 and 2013 compared to 2012. 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.

	2012 vs. 2011[1]			2013 vs. 2012[1]		
	Increase/(decrease) due to changes in			Increase/(decrease) due to changes in		
	Volume	Rate	Total	Volume	Rate	Total
			(in billions of Won)			
Interest-earning assets						
Due from banks	13	43	56	18	(7)	11
Loans[2]						
Commercial and industrial	(13)	(231)	(244)	142	(662)	(520)
Trade financing	25	(12)	13	(13)	(63)	(76)
Other commercial	(34)	(82)	(116)	(59)	(39)	(98)
General purpose household[3]	(88)	15	(73)	(109)	(395)	(504)
Mortgage	205	(15)	190	287	(121)	166
Credit cards	(3)	(49)	(52)	(8)	27	19
Securities						
Trading	47	(13)	34	(193)	(24)	(217)
Investment[4]	(55)	77	22	(23)	(130)	(153)
Other	33	(67)	(34)	(17)	(9)	(26)
Total interest income	130	(334)	(204)	25	(1,423)	(1,398)
Interest-bearing liabilities						
Deposits due to customers						
Demand deposits	4	3	7	(1)	12	11
Time and savings deposits	67	(62)	5	69	(819)	(750)
Certificate of deposit	(35)	(6)	(41)	56	(15)	41
Other deposits	35	(11)	24	(72)	(86)	(158)
Borrowings	(23)	(24)	(47)	(38)	(23)	(61)
Debentures	(106)	(16)	(122)	(36)	(115)	(151)
Other	31	(20)	11	(3)	29	26
Total interest expense	(27)	(136)	(163)	(25)	(1,017)	(1,042)
Net interest income	157	(198)	(41)	50	(406)	(356)

(1) The amounts for 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts for 2012 (but not for 2011) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.
(2) Not including other receivables and prior to deducting allowance for credit losses and present value discount or reflecting deferred origination costs.

(3) Includes home equity loans.
(4) Includes available-for-sale financial assets and held-to-maturity financial assets.

Exchange Rates

The table below sets forth, for the periods and dates indicated, information concerning the noon buying rate for Won, expressed in Won per one U.S. dollar. The noon buying rate is the rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise stated, translations of Won amounts into U.S. dollars in this annual report were made at the noon buying rate in effect on December 31, 2013, which was 1,055.3 to US$1.00. We do not intend to imply that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate, or at all. On April 25, 2014, the noon buying rate was 1,041.0 = US$1.00.

	Won per U.S. dollar (noon buying rate)			
	Low	High	Average[1]	Period-End
2009	1,149.0	1,570.1	1,274.6	1,163.7
2010	1,104.0	1,253.2	1,155.7	1,130.6
2011	1,049.2	1,197.5	1,106.9	1,158.5
2012	1,063.2	1,185.0	1,126.2	1,063.2
2013	1,050.1	1,161.3	1,094.7	1,055.3
October	1,057.5	1,075.5	1,065.9	1,060.8
November	1,054.8	1,072.7	1,061.6	1,057.8
December	1,050.1	1,061.4	1,055.6	1,055.3
2014 (through April 25)	1,035.4	1,084.3	1,063.6	1,041.0
January	1,050.3	1,083.7	1,067.1	1,080.4
February	1,062.1	1,084.3	1,071.3	1,066.0
March	1,069.9	1,079.6	1,070.5	1,064.7
April (through April 25)	1,064.1	1,058.3	1,044.2	1,041.0

Source: Federal Reserve Bank of New York

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

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

Not Applicable

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

Not Applicable

Item 3D. ***Risk Factors***

Risks relating to our corporate credit portfolio

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

Our loans to small- and medium-sized enterprises amounted to 83,624 billion, or 39.4% of our total loans, as of December 31, 2011, 80,506 billion, or 36.4% of our total loans, as of December 31, 2012 and 60,793 billion (excluding discontinued operations), or 31.4% of our total loans, as of December 31, 2013. As of December 31, 2013, Won-denominated loans to small- and medium-sized enterprises that were classified as substandard or below were 2,047 billion (excluding discontinued operations), representing 3.4% of such loans to those enterprises. See Item 4B. Business Overview Corporate Banking Small and Medium-Sized Enterprise Banking. We recorded charge-offs of 517 billion in respect of our Won-denominated loans to

small- and medium-sized enterprises in 2013, compared to charge-offs of 643 billion in 2012 and 532 billion in 2011 (excluding discontinued operations for all years). According to data compiled by the Financial Supervisory Service, the industry-wide delinquency ratios for Won-denominated loans to small- and medium-sized enterprises decreased in 2012 and 2013. The delinquency ratio for small- and medium-sized enterprises is calculated as the ratio of (1) the outstanding balance of such loans in respect of which either principal or interest payments are overdue by one month or more to (2) the aggregate outstanding balance of such loans. Our delinquency ratio for such loans denominated in Won was 1.6% as of December 31, 2011, 1.3% as of December 31, 2012 and 1.5% (excluding discontinued operations) as of December 31, 2013. Our delinquency ratio may increase further in 2014 as a result of, among other things, adverse economic conditions in Korea and globally. See Other risks relating to our business Difficult conditions in the global financial markets could adversely affect our results of operations and financial condition. Accordingly, we may be required to take measures to decrease our exposures to these customers.

In light of the deteriorating financial condition and liquidity position of small- and medium-sized enterprises in Korea as a result of the global financial crisis commencing in the second half of 2008, the Korean government introduced measures intended to encourage Korean banks to provide financial support to small- and medium-sized enterprise borrowers. For example, the Korean government requested Korean banks, including Woori Bank to establish a fast track program to provide liquidity assistance to small- and medium-sized enterprises on an expedited basis. Under the fast track program established by Woori Bank, which is currently expected to be effective through December 31, 2014, liquidity assistance is provided to small- and medium-sized enterprise borrowers applying for such assistance, in the form of new short term loans or maturity extensions or interest rate adjustments with respect to existing loans, after expedited credit review and approval by such banks. The overall prospects for the Korean economy in 2014 and beyond remain uncertain, and the Korean government may extend or renew existing or past policies and initiatives or introduce new policies or initiatives to encourage Korean banks to provide financial support to small- and medium-sized enterprises. We believe that, to date, our participation in such government-led initiatives (primarily through the fast track program) has not caused us to extend a material amount of credit that we would not have otherwise extended nor materially impacted our results of operations and financial condition in general. The aggregate amount of outstanding small- and medium-sized enterprise loans made by Woori Bank under the fast track program was 93 billion as of December 31, 2013, which represented 0.16% of its total small- and medium-sized enterprise loan portfolio as of such date. Furthermore, loans made by us under the fast track program are partially guaranteed by the Korean government s public financial institutions, including the Korea Credit Guarantee Fund and the Korea Technology Finance Corporation. However, there can be no assurance that our future participation in such government-led initiatives would not lead us to extend credit to small- and medium-sized enterprise borrowers that we would not otherwise extend, or offer terms for such credit that we would not otherwise offer, in the absence of such initiatives. Furthermore, there is no guarantee that the financial condition and liquidity position of our small- and medium-sized enterprise borrowers benefiting from such initiatives will improve sufficiently for them to service their debt on a timely basis, or at all. Accordingly, increases in our exposure to small- and medium-sized enterprises resulting from such government-led initiatives may have a material adverse effect on our results of operations and financial condition.

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

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

Financial difficulties experienced by small- and medium-sized enterprises as a result of, among other things, adverse economic conditions in Korea and globally, as well as aggressive marketing and intense competition among banks to lend to this segment in recent years, have led to a deterioration in the asset quality of our loans to this segment in the past and such factors may lead to a deterioration of asset quality in the future. Any such deterioration would result in increased charge-offs and higher provisioning and reduced interest and fee income from this segment, which would have an adverse impact on our financial condition and results of operations.

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

As of December 31, 2013, the total amount of loans provided by us to construction and shipbuilding companies in Korea amounted to 6,810 billion and 2,013 billion (in each case excluding discontinued operations), or 3.5% and 1.0% of our total loans, respectively. We also have other exposures to Korean construction and shipbuilding companies, including in the form of guarantees extended for the benefit of such companies and debt and equity securities of such companies held by us. In the case of shipbuilding companies, such exposures include refund guarantees extended by us on behalf of shipbuilding companies to cover their obligation to return a portion of the ship order contract amount to customers in the event of performance delays or defaults under shipbuilding contracts. In the case of construction companies, we also have potential exposures in the form of guarantees provided to us by general contractors with respect to financing extended by us for residential and commercial real estate development projects, as well as commitments to purchase asset-backed securities secured by the assets of companies in the construction industry and other commitments we enter into relating to project financing for such real estate projects which may effectively function as guarantees.

The construction industry in Korea has experienced a downturn in recent years, due to excessive investment in residential property development projects, stagnation of real property prices and reduced demand for residential property, especially in areas outside of Seoul, including as a result of the deterioration of the Korean economy. The shipbuilding industry in Korea has also experienced a severe downturn in recent years due to a significant decrease in ship orders, primarily due to adverse conditions in the global economy and the resulting slowdown in global trade. In response to the deteriorating financial condition and liquidity position of borrowers in the construction and shipbuilding industries, which were disproportionately impacted by adverse economic developments in Korea and globally, the Korean government implemented a program in the first half of 2009 to promote expedited restructuring of such borrowers by their Korean creditor financial institutions, under the supervision of major commercial banks. In accordance with such program, 24 construction companies and five shipbuilding companies became subject to workout in 2009, following review by their creditor financial institutions (including us) and the Korean government. In addition, in June 2010, the Financial Services Commission and the Financial Supervisory Service announced that, following credit risk evaluations conducted by six creditor financial institutions (including us) of companies in Korea with outstanding debt of 50 billion or more, 65 companies were selected by such financial institutions for restructuring in the form of workout, liquidation or court receivership. Of such 65 companies, 16 were construction-related companies and three were shipbuilding companies. The Financial Supervisory Service announced the results of subsequent credit risk evaluations conducted by creditor financial institutions (including us) of companies in Korea in July 2012, in which 36 companies with outstanding debt of 50 billion or more (17 of which were construction-related companies, and two of which were shipbuilding companies) were selected by such financial institutions for restructuring in the form of workout, liquidation or court receivership, and in July 2013, in which 40 companies with outstanding debt of 50 billion or more (20 of which were construction-related companies, and three of which were shipbuilding companies) were similarly selected for restructuring. There is no assurance, however, that these measures will be successful in stabilizing the Korean construction and shipbuilding industries.

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

Table of Contents

We also have construction-related credit exposures under our project financing loans for real estate development projects in Korea. In light of the general deterioration in the asset quality of real estate project financing loans in Korea in recent years, Korean banks, including Woori Bank, implemented a uniform set of guidelines regarding the evaluation of real estate development projects and asset quality classification of project financing loans for such projects in September 2010. Under these guidelines, which became effective from the third quarter of 2010, Korean banks are generally required to apply more stringent criteria in evaluating the asset quality of real estate project financing loans. As a result, we may be required to establish additional allowances with respect to our outstanding real estate project financing loans, which could adversely affect our financial condition and results of operations.

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

Of our 20 largest corporate exposures (including loans, debt and equity securities, credit-related commitments and other exposures) as of December 31, 2013, seven were to companies that were members of the 30 largest *chaebols* in Korea. As of that date, the total amount of our exposures to the 30 largest *chaebols* was 25,306 billion (excluding discontinued operations), or 7.5% of our total exposures. If the credit quality of our exposures to *chaebols* declines, we could incur additional provisions for credit loss, which would hurt our results of operations and financial condition. See Item 4B. Business Overview Assets and Liabilities Loan Portfolio Exposure to Chaebols.

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

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

As of December 31, 2013, our 20 largest exposures to corporate borrowers totaled 37,963 billion (excluding discontinued operations), which represented 11.3% of our total exposures. As of that date, our single largest corporate exposure was to the Bank of Korea, to which we had outstanding credits in the form of debt securities of 5,111 billion and loans in Won of 2,790 billion, representing 2.0% of our total exposures in the aggregate. Aside from exposure to the Korean government and government-related agencies, our next largest exposure was to Hyundai Heavy Industries, to which we had outstanding exposure of 1,990 billion representing 0.6% of our total exposures. Any deterioration in the financial condition of our large corporate borrowers may require us to record substantial additional allowances and may have a material adverse impact on our results of operations and financial condition.

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

As of December 31, 2013, our credit exposures to companies that were in workout or corporate restructuring amounted to 2,620 billion (excluding discontinued operations) or 0.8% of our total credit exposures, of which 1,780 billion or 67.9% was classified as substandard or below and substantially all of which was classified as impaired. As of the same date, our allowance for credit losses on these credit exposures amounted to 933 billion, or 35.6% of these exposures. These allowances may not be sufficient to cover all future losses arising from our credit exposure to these companies. Furthermore, we have other exposure to such companies, in the form of debt and equity securities of such companies held by us (including equity securities we acquired as a result of debt-to-equity conversions). Including such securities, our exposures as of December 31, 2013 to companies in workout or restructuring amounted to 2,733 billion, or 0.8% of our total exposures. Our exposures to such companies may also increase in the future, including as a result of adverse conditions in the

Table of Contents

Korean economy. In addition, in the case of borrowers that are or become subject to workout, we may be forced to restructure our credits pursuant to restructuring plans approved by other creditor financial institutions of the borrower, or to dispose of our credits to other creditors on unfavorable terms, which may adversely affect our results of operations and financial condition.

We have exposure to member companies of the STX Group, and financial difficulties of these companies may adversely impact us.

Certain member companies of the STX Group, one of Korea s top-30 *chaebols*, have been experiencing financial difficulties, including as a result of the prolonged slowdown in the Korean construction and shipbuilding industries since the global financial crisis commencing in the second half of 2008. STX Construction Co., Ltd. and STX Pan Ocean Co., Ltd. have been in court receivership with the Seoul Central District Court since April and June 2013, respectively. Certain other member companies of the STX Group, including STX Corporation, which is the holding company of the STX Group, and its subsidiaries STX Offshore & Shipbuilding Co., Ltd., STX Heavy Industries Co., Ltd. and STX Engine Co., Ltd., have commenced a voluntary, out-of-court debt restructuring program. Other member companies of the STX Group may also undergo out-of-court debt restructuring programs, file for court receivership or default on their debt in the future as a result of financial or operational difficulties or otherwise. As of December 31, 2013, our aggregate credit exposures to the member companies of the STX Group amounted to 1,268 billion (excluding discontinued operations), consisting primarily of loans extended to STX Construction, STX Corporation, STX Offshore & Shipbuilding, STX Heavy Industries and STX Engine. As of December 31, 2013, our allowance for credit losses with respect to such credit exposures to the STX Group amounted to 529 billion, of which 431 billion were with respect to credit exposures to STX Corporation, STX Offshore & Shipbuilding, STX Heavy Industries and STX Engine. Moreover, the terms of the restructuring program currently under negotiation may require the creditors, including us, to extend additional credit to such companies. To the extent that we need to set aside significant additional allowances in 2014 and beyond with respect to our current and any additional exposures to the member companies of the STX Group, such allowances may have a material adverse impact on our results of operations. Furthermore, such allowances may not be sufficient to cover all future losses arising from our exposures to these companies. In the event that the financial condition of these companies deteriorates further in the future, we may be required to record additional allowances for credit losses, as well as charge-offs and valuation or impairment losses, which may have a material adverse effect on our financial condition and results of operations.

Risks relating to our consumer credit portfolio

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

In recent years, consumer debt has increased rapidly in Korea. Our portfolio of consumer loans amounted to 72,914 billion as of December 31, 2011, 78,811 billion as of December 31, 2012 and 71,041 billion (excluding discontinued operations) as of December 31, 2013. Our credit card portfolio amounted to 4,592 billion as of December 31, 2011, 4,505 billion as of December 31, 2012 and 4,209 billion (excluding discontinued operations) as of December 31, 2013. As of December 31, 2013, our consumer loans and credit card receivables represented 36.7% and 2.2% of our total lending, respectively. See Item 4B. Business Overview Consumer Banking Lending Activities and Item 4B. Business Overview Credit Cards Products and Services.

The growth in our consumer loan portfolio in recent years, together with adverse economic conditions in Korea and globally, may lead to increasing delinquencies and a deterioration in asset quality. The amount of our consumer loans classified as substandard or below was 396 billion (or 0.5% of our consumer loan portfolio) as of December 31, 2011, 441 billion (or 0.6% of our consumer loan portfolio) as of December 31, 2012 and 454 billion (excluding discontinued operations) (or 0.6% of our consumer loan portfolio) as of December 31, 2013. We charged off consumer loans amounting to 180 billion in 2013, as compared to 190 billion in 2012 and 89 billion in 2011, and recorded provisions for credit loss in respect of consumer loans of 238 billion in 2013, as compared to 242 billion in 2012 and 158 billion in 2011. Within our consumer loan portfolio, the outstanding balance of general purpose household loans, which, unlike mortgage or home equity loans, are often unsecured and therefore tend to carry a higher credit risk, amounted to 27,935 billion, or 28.7% of our total outstanding consumer loans, as of December 31, 2011, 22,785 billion, or 28.9% of our total outstanding consumer loans, as of December 31, 2012 and 20,673 billion (excluding discontinued operations), or 29.1% of our total outstanding consumer loans, as of December 31, 2013.

In our credit card segment, outstanding balances overdue by 30 days or more amounted to 92 billion, or 2.0% of our credit card receivables, as of December 31, 2011, 87 billion, or 1.9% of our credit card receivables, as of December 31, 2012 and 76 billion (excluding discontinued operations), or 1.8% of our credit card receivables, as of December 31, 2013. In line with industry practice, we have restructured a portion of our delinquent credit card account balances as loans. As of December 31, 2013, these restructured loans amounted to 73 billion, or 1.7% of our credit card balances. Because these restructured loans are not initially recorded as being delinquent, our delinquency ratios do not fully reflect all delinquent amounts relating to our credit card balances. Including all restructured loans, outstanding balances overdue by 30 days or more accounted for 3.4% of our credit card balances as of December 31, 2013. We charged off credit card balances amounting to 172 billion in 2013, as compared to 186 billion in 2012 and 142 billion in 2011, and recorded provisions for credit loss in respect of credit card balances of 125 billion (excluding discontinued operations) in 2013, as compared to 152 billion in 2012 and 115 billion in 2011. Delinquencies may increase in the future as a result of, among other things, adverse economic conditions in Korea, difficulties experienced by other credit card issuers that adversely affect our customers, additional government regulation or the inability of Korean consumers to manage increased household debt. In addition, as a part of our strategy to enhance our credit card operations and increase its synergies with our other businesses, in April 2013, we effected a horizontal spin-off of the credit card business of Woori Bank. As a result, the former credit card business of Woori Bank is operated by a newly established wholly-owned subsidiary of ours, Woori Card Co., Ltd. However, we may not be able to realize the anticipated benefits of this spin-off due to various factors, including increased expenses arising from the operation of a separate credit card company, unexpected business disruptions, difficulties in reorganizing personnel and administrative functions and potential loss of customers.

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

In light of adverse conditions in the Korean economy affecting consumers, in March 2009, the Financial Services Commission requested Korean banks, including Woori Bank, to establish a pre-workout program, including a credit counseling and recovery service, for retail borrowers with outstanding short-term debt. The pre-workout program has been in operation since April 2009 and, following successive extensions by the Korean government, is expected to continue indefinitely. Under the pre-workout program, maturity extensions and/or interest reductions are provided for retail borrowers with total loans of less than 500 million who are in arrears on their payments for more than 30 days but less than 90 days. The aggregate amount of consumer credit (including credit card receivables) provided by Woori Bank which became subject to the pre-workout program in 2013 was 19 billion. While we believe that our participation in such pre-workout program has not had a material impact on the overall credit quality of our consumer loan and credit card portfolio or on our results of operations and financial condition to date, our future participation in such government-led initiatives to provide financial support to retail borrowers may lead us to offer credit terms for such borrowers that we would not otherwise offer, in the absence of such initiatives, which may have an adverse effect on our results of operations and financial condition.

Table of Contents

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

A substantial portion of our consumer loans is secured by real estate, the values of which have fluctuated significantly in recent years. Although it is our general policy to lend up to 60% of the appraised value of collateral (except in areas of high speculation designated by the government where we generally limit our lending to 40% to 60% of the appraised value of collateral) and to periodically re-appraise our collateral, the downturn in the real estate markets in Korea in recent years has resulted in declines in the value of the collateral securing our mortgage and home equity loans. If collateral values decline further in the future, they may not be sufficient to cover uncollectible amounts in respect of our secured loans. Any future declines in the value of the real estate or other collateral securing our consumer loans, or our inability to obtain additional collateral in the event of such declines, could result in a deterioration in our asset quality and may require us to record additional allowances for credit losses.

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

Risks relating to our financial holding company structure and strategy

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

In June 2013, the Korean government, through the Public Funds Oversight Committee of the Financial Services Commission, announced its latest plan to privatize us. The privatization plan provides for the segregation of us and our subsidiaries into three groups of entities and the disposal of the Korean government s interest in these entities, which is held through the KDIC in a series of transactions, as follows:

Kwangju Bank and Kyongnam Bank. In May 2014, we plan to establish KJB Financial Group Co., Ltd. and KNB Financial Group Co., Ltd. through a spin-off of our businesses related to the holding of the shares and thereby controlling the business operations of Kwangju Bank and Kyongnam Bank, respectively. As a result of such spin-off, KJB Financial Group will own the shares of Kwangju Bank currently held by us, and KNB Financial Group will own the shares of Kyongnam Bank currently held by us. We will no longer own any shares of Kwangju Bank or Kyongnam Bank, and neither they nor their new holding companies will be our subsidiaries, after the spin-off. See Item 4A. History and Development of the Company Privatization Plan Spin-off of Kwangju Bank and Kyongnam Bank. Following such spin-off, each of these banks will be merged with its holding company, with the banks becoming the surviving entities of such mergers. The KDIC will then sell its 56.97% ownership interest in each such merged entity. The preparatory process for these transactions commenced in July 2013. In December 2013, JB Financial Group and BS Financial Group were selected as the preferred bidders to purchase the KDIC s ownership interest in Kwangju Bank and Kyongnam Bank, respectively. No definitive agreements for the sale of the KDIC s ownership interest in Kwangju Bank and Kyongnam Bank have been entered into between the KDIC and the relevant preferred bidders.

Woori Investment & Securities and Other Subsidiaries. We have sold or plan to sell our ownership interest in Woori Investment & Securities and certain other subsidiaries, including Woori Asset Management, Woori Aviva Life Insurance, Woori FG Savings Bank, Woori F&I and Woori Financial. The preparatory process for these transactions commenced in July 2013. In March 2014, we sold our 52% ownership interest in Woori Financial to KB Financial Group Inc. We also entered into share purchase agreements for (i) the sale of our 100% ownership interest in Woori Asset Management to Kiwoom Securities Co., Ltd. in February 2014, (ii) the sale of our 100% ownership interest in Woori F&I to Daishin Securities Co., Ltd. in April 2014 and (iii) the collective sale of our 37.9% ownership interest in Woori Investment & Securities, 51.6% ownership interest in Woori Aviva Life Insurance and 100% ownership interest in Woori FG Savings Bank to NongHyup Financial Group Inc. in April 2014. See Item 4A. History and Development of the Company Privatization Plan Disposal of Woori Financial, Woori Asset Management, Woori F&I , Woori Investment & Securities, Woori Aviva Life Insurance and Woori FG Savings Bank.

Woori Bank. Following the spin-off of our businesses related to Kwangju Bank and Kyongnam Bank and the sales of Woori Investment & Securities and other subsidiaries as described above, we plan to merge our holding company with Woori Bank, after which the KDIC will sell all or a part of its 56.97% ownership interest in the merged entity. Our remaining subsidiaries, including Woori Card, Woori Private Equity, Woori FIS, Woori Investment Bank (formerly Kumho Investment Bank) and Woori Finance Research Institute, as well as any subsidiaries that have not been otherwise sold by such time, will become subsidiaries of the merged entity as a result of such merger. The timing and structure of the merger and sale remain uncertain.

However, the privatization plan with respect to us and our subsidiaries may be changed by the Korean government, or its further implementation may be delayed, depending on market conditions and other factors, and accordingly there is no guarantee that such plan will be implemented as contemplated.

The implementation of the Korean government s privatization plan will allow the KDIC to recover public funds previously injected into us and is therefore in the Korean government s interest. However, the implementation of the plan will have a significant impact on us. For example, the spin-off of Kwangju Bank and Kyongnam Bank, the disposal of Woori Investment & Securities and other non-banking subsidiaries, the loss of our status as a large and diversified financial group and the loss of the Korean government as our controlling shareholder may hurt our competitive position and may have a material adverse effect on our business, financial condition and results of operations, as well as our credit profile and credit ratings. Furthermore, the implementation of the privatization plan will lead to diversion of management attention from the day-to-day operations of, and may result in significant labor unrest at, our company and our subsidiaries. In addition, the merger of our holding company with Woori Bank and the sale of the merged entity to one or more third parties may result in a change in our management and may require the merged entity to integrate its operations and systems with those of the purchasers or their affiliates and to reorganize or reduce overlapping personnel, branches, networks and administrative functions. There is also no guarantee that the various transactions provided for in the privatization plan will not result in unintended adverse tax consequences for us and our subsidiaries, as well as our shareholders. Accordingly, the implementation of the privatization plan may have a material adverse effect on the trading price of our common stock and American depositary shares, or ADSs, and your interests as a shareholder.

We may not be successful in taking advantage of our integrated financial holding company structure.

To the extent that all or parts of the Korean government s privatization plan with respect to us and our subsidiaries are not implemented or are delayed, we may remain a diversified financial group under a financial holding company structure. See The implementation of the Korean government s privatization plan may have an adverse effect on us and your interests as a shareholder. Our success under a financial holding company structure depends on our ability to take advantage of our large existing base of retail and corporate banking customers and to implement a strategy of developing and cross-selling diverse financial products and services to them. As part of this strategy, we may continue to standardize and upgrade the risk management operations of our subsidiaries and diversify our product offerings. The implementation of these and other plans that we may pursue to take advantage of our integrated financial holding company structure may require additional investments of capital, infrastructure, human resources and management attention and entails certain risks, including the possibility that:

- we may fail to further integrate and upgrade our diverse systems and operations as needed to maximize synergies among our operating subsidiaries;

- we may lack required capital resources;

- we may fail to attract, develop and retain personnel with necessary expertise;

- we may face competition from other financial holding companies and more specialized financial institutions in particular segments; and

- we may fail to leverage our financial holding company structure to continue realizing operational efficiencies and to cross-sell new products and services.

If we are not successful in implementing our current and future plans, we may incur losses on our investments and our results of operations and financial condition may suffer.

We may fail to realize the anticipated benefits relating to our reorganization and expansion plans and any future mergers or acquisitions that we may pursue.

To the extent that all or parts of the Korean government s privatization plan with respect to us and our subsidiaries are not implemented or are delayed, we may remain a diversified financial group under a financial holding company structure. See The implementation of the Korean government s privatization plan may have an adverse effect on us and your interests as a shareholder. Our success under a financial holding company structure depends on our ability to implement our reorganization and expansion plans and to realize the anticipated synergies, growth opportunities and cost savings from coordinating the businesses of our various subsidiaries. As part of these plans, we acquired a 51.0% interest in LIG Life Insurance in April 2008, which was subsequently renamed Woori Aviva Life Insurance. Furthermore, we purchased certain assets and assumed certain liabilities of Samhwa Mutual Savings Bank in March 2011 and Solomon Savings Bank in September 2012 through our wholly-owned subsidiary, Woori FG Savings Bank Co., Ltd. In addition, in April 2013, we spun off the credit card business of Woori Bank into a newly established wholly-owned subsidiary, Woori Card. In June 2013, through an internal reorganization, Kumho Investment Bank (subsequently renamed Woori Investment Bank), which was previously a subsidiary of Woori Private Equity and primarily engages in corporate and investment banking activities, became a consolidated subsidiary.

As part of our strategy, we may also continue to seek opportunities to expand our overseas operations, including potentially through acquisitions and investments in Asia, the U.S. and Europe. For example, in January 2014, we completed the purchase of an additional 27% equity interest through Woori Bank (in addition to the 6% equity interest we previously acquired through our indirect subsidiary P.T. Bank Woori Indonesia) in P.T. Bank Himpunan Saudara 1906, an Indonesian commercial bank with a network of over 100 branches and offices throughout Indonesia, for a purchase price of approximately US$51 million. As a result, we became the second largest shareholder of this entity, and we plan to merge it in the future with P.T. Bank Woori Indonesia.

The integration of our subsidiaries separate businesses and operations, as well as those of any companies we may merge with or acquire in the future, could require a significant amount of time, financial resources and management attention, and may result in increased capital requirements and greater credit and other exposures. Moreover, the integration process could disrupt our operations (including our risk management operations) or information technology systems, reduce employee morale, produce unintended inconsistencies in our standards, controls, procedures or policies, and affect our relationships with customers and our ability to retain key personnel.

The continued implementation of our reorganization and expansion plans, as well as any future integration plans that we may adopt in connection with our mergers or acquisitions or otherwise, and the realization of the anticipated benefits of our current financial holding company structure and any mergers or acquisitions we decide to pursue 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 our subsidiaries or any companies we may merge with or acquire, including risk management operations and information technology systems, personnel, policies and procedures;

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

- restrictions under the Financial Holding Company Act, the Financial Investment Services and Capital Markets Act and other regulations on transactions between our company and, or among, our subsidiaries;
- unexpected business disruptions;
- loss of customers; and
- labor unrest.

Accordingly, we may not be able to realize the anticipated benefits of our current or any future reorganization and expansion plans and any future mergers or acquisitions that we pursue or undergo, and our business, results of operations and financial condition may suffer as a result.

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

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

We depend on limited forms of funding to fund our operations at the holding company level.

To the extent that all or parts of the Korean government s privatization plan with respect to us and our subsidiaries are not implemented or are delayed, we may remain a diversified financial group under a financial holding company structure. See The implementation of the Korean government s privatization plan may have an adverse effect on us and your interests as a shareholder. If so, we will remain a financial holding company with no significant assets other than the shares of our subsidiaries. Our primary sources of funding and liquidity are dividends from our subsidiaries, direct borrowings and issuances of equity or debt securities at the holding company level. In addition, as a financial holding company, we are required to meet certain minimum financial ratios under Korean law, including with respect to liquidity, leverage and capital adequacy. Our ability to meet our obligations to our direct creditors and employees and our other liquidity needs and regulatory requirements at the holding company level depends on timely and adequate distributions from our subsidiaries and our ability to sell our securities or obtain credit from our lenders.

In the case of dividend distributions, this depends on the financial condition and operating results of our subsidiaries. In the future, our 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 us, and the terms of future obligations and the operation of Korean law could prevent our subsidiaries from making sufficient distributions to us to allow us to make payments on our outstanding obligations. See As a holding company, we depend on receiving dividends from our subsidiaries to pay dividends on our common stock. Any delay in receipt of or shortfall in payments to us from our subsidiaries could result in our inability to meet our liquidity needs and regulatory requirements, including minimum liquidity and capital adequacy ratios, and may disrupt our operations at the holding company level.

In addition, creditors of our subsidiaries will generally have claims that are prior to any claims of our creditors with respect to their assets. Furthermore, our inability to sell our securities or obtain funds from our lenders on favorable terms, or at all, could also result in our inability to meet our liquidity needs and regulatory requirements and may disrupt our operations at the holding company level.

Table of Contents

As a holding company, we depend on receiving dividends from our subsidiaries to pay dividends on our common stock.

To the extent we remain a financial holding company, our principal assets will be the shares of our subsidiaries, and our ability to pay dividends on our 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 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 Bank to pay dividends is subject to regulatory restrictions to the extent that paying dividends would impair its nonconsolidated 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 as well as certain unrealized profits from its net assets, in each case as of the end of the prior fiscal 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.

Our 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 us, which would have an adverse effect on our ability to pay dividends on our common stock.

In addition, we and our subsidiaries may not be able to pay dividends to the extent that such payments would result in a failure to meet any of the applicable financial targets under our respective memoranda of understanding with the KDIC. See Other risks relating to our business Our failure to meet the financial and other business targets set forth in current terms of the memoranda of understanding among us, Woori Bank and the KDIC may result in substantial harm to us or Woori Bank.

Risks relating to competition

Competition in the Korean financial industry is intense, and we may lose market share and experience declining margins as a result.

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

In addition, we believe that regulatory reforms and the general modernization of business practices in Korea will lead to increased competition among financial institutions in Korea. We also believe that foreign financial institutions, many of which have greater experience and resources than we do, will seek to compete with us in providing financial products and services either by themselves or in partnership with existing Korean financial institutions. Furthermore, a number of significant mergers and acquisitions in the industry have taken place in Korea over the past decade, including the acquisition of Koram Bank by an affiliate of Citibank in 2004, the acquisition of Korea First Bank by Standard Chartered Bank in April 2005, Chohung Bank s merger with Shinhan Bank in April 2006 and Hana Financial Group s acquisition of a controlling interest in Korea Exchange Bank in February 2012. We expect that consolidation in the financial industry will continue, including as a result of the implementation of the Korean government s privatization plan with respect to us and our subsidiaries. Other financial institutions may seek to acquire or merge with other entities, and the financial institutions resulting from this consolidation may, by virtue of their increased size and business scope, provide significantly greater competition for us. Increased competition and continuing consolidation may lead to decreased margins, resulting in a material adverse impact on our future profitability. Accordingly, our results of operations and financial condition may suffer as a result of increasing competition in the Korean financial industry.

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

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

Other risks relating to our business

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

While the rate of deterioration of the global economy since the commencement of the global financial crisis in 2008 has slowed, with some signs of stabilization and improvement, the overall prospects for the Korean and global economy in the remainder of 2014 and beyond remain uncertain. Starting in the second half of 2011, the global financial markets have experienced significant volatility as a result of, among other things, the financial difficulties affecting many governments worldwide, in particular in Cyprus, Greece, Spain, Italy and Portugal, and the slowdown of economic growth in major emerging market economies, as well as concerns regarding the potential economic impact of the recently commenced scale-down by the U.S. Federal Reserve Board of its quantitative easing stimulus program. In addition, continuing negotiations regarding Iran s nuclear program and sanctions adopted by the international community in response, as well as political and social instability in the Ukraine and in various countries in the Middle East and Northern Africa, including in Syria, Egypt and Libya, have resulted in volatility and uncertainty in the global energy markets. Furthermore, in response to China s slowing gross domestic product growth rates that began in 2011, the Chinese government has implemented stimulus measures but the overall impact of such measures remains uncertain. In light of the high level of interdependence of the global economy, any of the foregoing developments could have a material adverse effect on the Korean economy and financial markets, and in turn on our business, financial condition and results of operations.

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

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

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

Our failure to meet the financial and other business targets set forth in current terms of the memoranda of understanding among us, Woori Bank and the KDIC may result in substantial harm to us or Woori Bank.

Under the current terms of the memoranda of understanding entered into among us, Woori Bank and the KDIC, we and Woori Bank are required to meet certain financial and business targets on a semi-annual and/or quarterly basis until the end of 2014. See Item 4A. History and Development of the Company History Relationship with the Korean Government. As a result of deteriorating economic and financial market conditions in Korea and globally, both we and Woori Bank have failed to meet certain of our respective targets in recent years. For example, in February and October 2010 and February 2011, the KDIC imposed institutional warnings on Woori Bank in connection with its failure to meet its financial targets with respect to operating income per employee as of September 30, 2009, return on assets and non-performing loan ratio as of June 30, 2010 and non-performing loan ratio as of September 30, 2010. In April 2011, the KDIC imposed another institutional warning on us and Woori Bank, as well as a warning on the former chief executive officer of Woori Bank, in connection with our and Woori Bank s failure to meet the financial targets with respect to our non-performing loan ratio and Woori Bank s return on assets as of December 31, 2010. While Woori Bank failed to meet its financial targets for return on assets and non-performing loan ratio as of December 31, 2013, and we failed to meet our financial targets for return on assets, expense-to-revenue ratio and non-performing loan ratio as of December 31, 2013, the KDIC has yet to impose any sanctions on Woori Bank or us. We and Woori Bank entered into a new business normalization plan with new restructuring measures and financial targets with the KDIC in March 2014.

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

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

We have provided certain assets as collateral for our secured borrowings in recent years. These secured borrowings often take the form of asset securitization transactions, where we nominally sell our assets to a securitization vehicle that issues securities backed by those assets, although the assets remain on our statements of financial position. These secured borrowings are intended to be fully repaid through recoveries on collateral. Some of these nominal asset sales were with recourse, which means that if delinquencies arise with respect to such assets, we will be required to either repay a proportionate amount of the related secured borrowing (by reversing the nominal sale and repurchasing such assets) or compensate the securitization vehicle for any net

Table of Contents

shortfalls in its recoveries on such assets. As of December 31, 2013, the aggregate amount of assets we had provided as collateral for our secured borrowings was 20,529 billion (excluding discontinued operations). As of that date, we had established allowances of 67 billion in respect of possible losses on those assets. If we are required to make payments on such assets, or to repay our secured borrowings on those assets and are unable to make sufficient recoveries on them, we may realize further losses on these assets to the extent those payments or recovery shortfalls exceed our allowances.

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

Interest rates in Korea have been subject to significant fluctuations in recent years. In late 2008 and early 2009, the Bank of Korea reduced its policy rate by a total of 325 basis points to support Korea s economy amid the global financial crisis, and left the key interest rate unchanged at 2.00% throughout 2009. In an effort to stem inflation amid improved growth prospects, the Bank of Korea increased its policy rate to 2.25% in July 2010, 2.50% in November 2010, 2.75% in January 2011, 3.00% in March 2011 and 3.25% in June 2011. The Bank of Korea reduced its policy rate to 3.00% in July 2012 and further reduced such rate to 2.75% in October 2012 and 2.50% in May 2013 to support Korea s economy in light of uncertain global economic prospects. All else being equal, an increase in interest rates leads to a decline in the value of our portfolio of debt securities, which generally pay interest based on a fixed rate. A sustained increase in interest rates will also raise our funding costs, while reducing loan demand, especially among consumers. Rising interest rates may therefore require us to re-balance our asset portfolio and our liabilities in order to minimize the risk of potential mismatches and maintain our profitability. See Item 11. Quantitative and Qualitative Disclosures about Market Risk. In addition, rising interest rate levels may adversely affect the Korean economy and the financial condition of our corporate and consumer borrowers, including holders of our credit cards, which in turn may lead to a deterioration in our credit portfolio. In particular, since most of our consumer and corporate loans bear interest at rates that adjust periodically based on prevailing market rates, a sustained increase in interest rate levels will increase the interest costs of our consumer and corporate borrowers and will adversely affect their ability to make payments on their outstanding loans.

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

We meet a significant amount of our funding requirements through short-term funding sources, which consist primarily of customer deposits. As of December 31, 2013, approximately 94.2% of these deposits had maturities of one year or less or were payable on demand. In the past, a substantial proportion of these customer deposits have been rolled over upon maturity. We cannot guarantee, however, that depositors will continue to roll over their deposits in the future. In the event that a substantial number of these short-term deposit customers withdraw their funds or fail to roll over their deposits as higher-yielding investment opportunities emerge, our liquidity position could be adversely affected. We may also be required to seek more expensive sources of short-term and long-term funding to finance our operations. See Item 5B. Liquidity and Capital Resources Financial Condition Liquidity.

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

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

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

As of December 31, 2013, we held debt securities issued by Korean companies and financial institutions (other than those issued by government-owned or -controlled enterprises or financial institutions, which include the KDIC, the Korea Electric Power Corporation, the Bank of Korea, the Korea Development Bank and the Industrial Bank of Korea, among others) with a total book value of 1,837 billion (excluding discontinued operations) in our trading and investment securities portfolio. The market value of these securities could decline significantly due to various factors, including future increases in interest rates or a deterioration in the financial and economic condition of any particular issuer or of Korea in general. Any of these factors individually or a combination of these factors would require us to write down the fair value of these debt securities, resulting in impairment losses. Because the secondary market for corporate bonds in Korea is not fully developed, the market value of many of these securities as reflected on our consolidated statements of financial position is determined by references to suggested prices posted by Korean rating agencies, which measure prices based on observable market data. These valuations, however, may differ significantly from the actual value that we could realize in the event we elect to sell these securities. As a result, we may not be able to realize the full marked-to-market value at the time of any such sale of these securities and thus may incur additional losses.

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

Under the capital adequacy requirements of the Financial Services Commission, both we and Woori Bank are currently required to maintain a minimum Tier I common equity capital adequacy ratio of 4.0%, Tier I capital adequacy ratio of 5.5% and combined Tier I and Tier II capital adequacy ratio of 8.0%, on a consolidated basis. In addition, the current terms of the memoranda of understanding among us, Woori Bank and the KDIC require us and Woori Bank to meet specified capital adequacy ratio requirements. See Item 4A. History and Development of the Company History Relationship with the Korean Government. As of December 31, 2013, our Tier I common equity capital, Tier I capital and combined Tier I and Tier II capital ratios were 7.39%, 10.11% and 13.01%, respectively, and Woori Bank s Tier I common equity capital, Tier I capital and combined Tier I and Tier II capital ratios were 11.05%, 12.68%, and 15.52%, respectively, which exceeded the minimum levels required by both the Financial Services Commission and such memoranda. However, our capital base and capital adequacy ratio may deteriorate in the future if our results of operations or financial condition deteriorates for any reason, or if we are not able to deploy our funding into suitably low-risk assets. To the extent that we or Woori Bank fails to maintain our capital adequacy ratios in the future, Korean regulatory authorities may impose penalties on us ranging from a warning to suspension or revocation of our licenses.

In December 2009, the Basel Committee on Banking Supervision introduced a new set of measures to supplement Basel II which include, among others, a requirement for higher minimum capital, introduction of a leverage ratio as a supplementary measure to the capital adequacy ratio and flexible capital requirements for different phases of the economic cycle. Additional details regarding such new measures, including an additional capital conservation buffer and counter-cyclical capital buffer, liquidity coverage ratio and other supplemental measures, were announced by the Group of Governors and Heads of Supervision of the Basel Committee on Banking Supervision in September 2010. After further impact assessment and observation periods, the Basel Committee on Banking Supervision began phasing in the new set of measures, referred to as Basel III, starting from 2013. In May 2013, the Financial Services Commission announced that major Asian countries have already implemented Basel III in the first quarter of 2013 and that the proposed Basel III measures relating to stricter minimum capital ratio requirements will be implemented in Korea starting from December 1, 2013. In July 2013 and September 2013, the Financial Services Commission promulgated amended regulations implementing Basel III, pursuant to which Korean banks and bank holding companies were required to maintain a minimum ratio of

Tier I common equity capital (which principally includes equity capital, capital surplus and retained earnings less reserve for credit losses) to risk-weighted assets of 3.5% and Tier I capital to risk-weighted assets of 4.5% from December 1, 2013, which minimum ratios increased to 4.0% and 5.5%, respectively, from January 1, 2014 and will increase 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 contemplate an additional capital conservation buffer of 0.625% starting in 2016, with such buffer to increase in stages to 2.5% by 2019. The implementation of Basel III in Korea may have a significant effect on the capital requirements of Korean financial institutions, including us. See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Financial Holding Companies Capital Adequacy and Principal Regulations Applicable to Banks Capital Adequacy.

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

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

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

In addition to the OFAC sanctions described above, the United States maintains programs under, among others, the Iran Sanctions Act, the Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010, or CISADA, the National Defense Authorization Act for Fiscal Year 2012, or the NDAA, the Iran Threat Reduction and Syria Human Rights Act of 2012, or ITRA, various Executive Orders, and the Iran Freedom and Counter-Proliferation Act of 2012, or IFCA, (which we refer to collectively as the indirect U.S. sanctions), that provide authority for the imposition of U.S. sanctions on foreign parties that provide services (including banking services and financing) in support of certain Iranian activities in the energy, shipping and military sectors, among others. A range of sanctions may be imposed on companies that engage in sanctionable activities, including among other things the blocking of any property subject to U.S. jurisdiction in which the sanctioned company has an interest, which could include a prohibition on transactions or dealings involving securities of the sanctioned company pursuant to CISADA. The indirect U.S. sanctions also target foreign financial institutions that, among other things: (i) facilitate significant transactions with, or provide significant financial services to, U.S.-sanctioned Iranian persons designated in connection with terrorism or weapons of mass destruction, or linked to the Iranian Revolutionary Guard Corps; (ii) facilitate the activities of a person subject to United Nations sanctions against Iran (or any person acting on behalf of, or owned or controlled by, such a person); (iii) knowingly facilitate transactions connected to Iranian terrorism or weapons of mass destruction activities; or (iv) knowingly conduct or facilitate significant financial transactions for the purchase of petrochemical products from Iran. Financial institutions engaging in targeted activity could be sanctioned by termination or restriction of their ability to maintain correspondent accounts in the United States, or correspondent account transactions. The imposition of sanctions against foreign financial institutions pursuant to the indirect U.S. sanctions is not automatic, requiring further action by the U.S. administration.

The indirect U.S. sanctions were extended under the NDAA (as amended by the ITRA) to cover foreign financial institutions (whether or not owned or controlled by a foreign government) that conduct or facilitate significant transactions with the Bank Markazi Jomhouri Islami, also referred to as the Central Bank of Iran or CBI, and certain other Iranian financial institutions designated on OFAC s list of specially designated nationals, or facilitate significant transactions for the purchase of Iranian petroleum and petroleum products. Additionally, under the ITRA and subsequent OFAC regulations, foreign financial institutions that conduct or facilitate significant financial transactions involving the National Iranian Oil Company or the National Iranian Tanker Company could be subject to the above-described U.S. correspondent account sanctions or CISADA sanctions. However, an important series of exceptions applies to transactions for the purchase of goods and services produced in or substantially transformed in Iran, including Iranian petroleum or petroleum products, and certain exports of goods and services of the importing country, in each case subject to a number of conditions. First, the country with primary jurisdiction over the financial institution involved in the transaction, or the home country, must have received a periodic determination from the U.S. President that it has significantly reduced its purchases of Iranian crude oil. Second, the exempt transactions are limited to bilateral trade between the home country and Iran, involving only the sale of goods and services produced in or substantially transformed in the home country and Iranian-origin goods and services. No payment may be provided to the Iranian parties or transferred outside the home country; instead, any funds attributable to purchases of Iranian origin goods and services (including petroleum products) must be deposited in restricted accounts at the home country financial institution. The funds in these accounts can be used only (a) for purchases by Iran of goods or services originating in the home country that are exported or sold directly to Iran, or for certain purchases of food and medical goods subject to a humanitarian exemption, or (b) for transfer to a restricted account at the same home country financial institution for later use for the same permitted purposes. Any payments from the restricted account must be made to an account in the home country of a person or entity exporting goods or services to Iran that is a citizen of, or organized under the laws of, the home country and is not owned or controlled by the government of Iran. The Iranian entities involved cannot withdraw funds directly from the restricted accounts or transfer them to accounts in a third country.

On June 12, 2012, the U.S. Department of State announced that Korea was one of several countries that has significantly reduced the volume of crude oil imports from Iran. Pursuant to successive renewals, on November 29, 2013, Korea has been included again in the list of such countries, and Korean financial institutions will be eligible for the exception from the potential U.S. sanctions under the NDAA (subject to the conditions above) until May 28, 2014. Future renewals of the exception based on the significant reduction determination will depend on further reduction in Korean oil purchases from Iran and cannot be assured. However, on November 23, 2013, the U.S., along with China, France, Russia, United Kingdom and Germany (referred to as the P5+1) reached an interim agreement (referred to as the Joint Plan of Action, or the JPOA) with Iran providing for, among other things, limited, temporary, targeted, and reversible relief to certain sanctions targeting Iran. Pursuant to the JPOA, Korea would not be required to further reduce its oil purchases between January 20, 2014 and July 20, 2014 below its then-current average level of imports in order to qualify for the exemption to potential U.S. sanctions under the NDAA. (Other existing requirements for crude oil purchases from Iran remain unaffected by the JPOA.) There can be no assurance that the relief provided by the JPOA will be renewed, or will not be reversed. The JPOA also provides for the repatriation of certain Iranian restricted funds held abroad.

Under the IFCA, further sanctions and restrictions on the significant reduction exception apply. A foreign financial institution could be subject to the above-described U.S. correspondent account sanctions or CISADA sanctions if it knowingly conducts or facilitates, on or after July 1, 2013, any significant financial transaction for the sale, supply or transfer to or from Iran of goods or services used in connection with the energy, shipping and shipbuilding sectors of Iran, or on behalf of any Iranian person on OFAC s list of specially designated nationals.

Table of Contents

The significant reduction exception applies to purchases of petroleum or petroleum products from Iran and related exports of home country goods to Iran under the terms above, but an additional condition that the goods exported to Iran may not violate or be sanctionable under any U.S. law applies. For example, the sale of goods destined for the energy sector is not eligible for the significant reduction exception to indirect U.S. sanctions even if all other conditions are met. Additionally, under the IFCA, transactions for the sale, supply or transfer to or from Iran of natural gas are required to comply with conditions paralleling the significant reduction exemption in order to avoid the risk of U.S. sanctions. Iran has also been designated as a jurisdiction of primary money laundering concern under Section 311 of the USA PATRIOT Act, potentially subjecting banks dealing with Iranian financial institutions to increased regulatory scrutiny.

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

In 2013, we and our affiliates engaged in the following activities relating to Iran:

Woori Bank operates certain accounts for CBI, which were opened by CBI pursuant to a service agreement entered into by Woori Bank and CBI in September 2010 to facilitate trade between Korea and Iran. The accounts opened by CBI consist of Won-denominated accounts that are used for the settlement of exports of goods produced or substantially transformed in Korea to Iran by Korean exporters and Won, U.S. dollar, euro and Japanese Yen-denominated accounts (of which only the Won accounts are currently in use) that are used for the settlement of imports of oil and natural gas from Iran by Korean importers. By the terms of the service agreement (as amended) between Woori Bank and CBI, settlement of export and import transaction payments due from Iranian entities to Korean exporters or from Korean importers to Iranian entities through such accounts opened by CBI are effected by crediting or debiting the relevant amount to or from the applicable accounts while a corresponding payment of funds is made to or from an Iranian bank by CBI. Any funds deposited for the account of Iranian entities as a result of Korean imports of oil and gas may only be used by transferring them to the Won-denominated account and then making payment to accounts of Korean persons and entities opened at financial institutions in Korea in respect of Korean-origin exports to Iran. No transfers of funds may be made from these accounts to Iran, to Iranian accounts in any third country, or for any other use. Furthermore, the applicable laws and regulations and banking guidelines of Korea require that trade transactions between Korean and Iranian parties be subject to prior certification and clearance by relevant Korean governmental authorities (or organizations designated thereby) to ensure compliance with Korean economic sanctions and export controls against Iran, and the settlement of payments through the accounts opened by CBI at Woori Bank are not permitted without such prior certification and clearance. In 2013, the total fee revenue from maintaining the CBI accounts amounted to approximately 128 million (which represented approximately 0.001% of our total revenue). As there were no expenses directly applicable to such activities under our internal management accounts, we estimate that our net income before tax from maintaining the CBI accounts also amounted to approximately 128 million (which represented approximately 0.04% of our total net income before tax). Woori Bank intends to continue maintaining the accounts opened by CBI within the current scope of services, to the extent such activity is permitted under, or otherwise exempted from, the indirect U.S. sanctions or other applicable sanctions.

Woori Bank also provides limited export-import financing services to Korean exporters and importers in connection with their trade transactions with Iran that are permitted under the relevant Korean sanctions and not subject to the indirect U.S. sanctions, primarily by discounting, advising on or issuing letters of credit, and to a lesser extent, issuing performance bonds on behalf of Korean contractors with respect to

Iranian construction projects permitted under the relevant Korean sanctions and not subject to the indirect U.S. sanctions. All such transactions are settled through the accounts opened by CBI at Woori Bank as described above. In 2013, our total fee revenue from such export-import financing services amounted to approximately 3 billion (which represented approximately 0.03% of our total revenue), while our net income before tax from such activities (net of expenses directly applicable to such activities based on our internal management accounts) amounted to approximately 2 billion (which represented approximately 0.66% of our total net income before tax). Woori Bank intends to continue providing the export-import financing services with its current scope, to the extent such activity is permitted under, or otherwise exempted from, the indirect U.S. sanctions or other applicable sanctions.

Woori Bank also maintains a limited number of deposit accounts in Korea for a certain Iranian financial institution which is currently on the list of specially designated nationals maintained by OFAC (with an IFSR designation). Under Korean customer protection requirements, we are unable to provide specific information identifying this Iranian financial institution or the volume of its deposits, which constitute less than 0.05% of the Woori Bank s total deposit base. These accounts were opened at Woori Bank before such Iranian financial institution was added to OFAC s list of specially designated nationals, and under Korean law, these financial institutions are generally unable to repatriate the amounts in these accounts from Korea without specific authorization of the Korean authorities. As a Korean bank is generally prohibited under Korean law from unilaterally terminating a deposit account without the consent of the depositor, Woori Bank does not currently have plans to terminate these deposit accounts. In 2013, there were no fee revenues from maintaining such deposit accounts, and there were no expenses directly applicable to such activities under our internal management accounts.

In addition, pursuant to a request from the U.S. government received in March 2014, and authorization from the competent Korean authorities, Woori Bank released US$550 million in April 2014 from the Won-denominated accounts of CBI maintained by Woori Bank to the accounts of CBI located outside Korea. We understand that this request was in furtherance of the JPOA agreed between the P5+1 and Iran, described above.

We believe that our activities relating to Iran are not sanctionable under the applicable U.S. sanctions law and OFAC regulation, and, assuming the President of the United States continues to renew the appropriate determinations that Korea has significantly reduced its purchases of Iranian crude oil (or the temporary relief under the JPOA is extended beyond July 20, 2014), would not be sanctionable under applicable U.S. sanctions law and OFAC regulation. However, there can be no assurances that the President of the United States will make such a determination (or that the temporary relief under the JPOA will be extended), and even if the determination is renewed (or the temporary relief under the JPOA is extended), there is no guarantee that our activities relating to Iran will not be found to violate OFAC sanctions or involve sanctionable activity under the indirect U.S. sanctions, or that any other government will not determine that our activities violate applicable sanctions of other countries. Moreover, sanctions against Iran are evolving rapidly, and future changes in law could also adversely affect us.

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

Investors may also be adversely affected if we are sanctioned pursuant to the indirect U.S. sanctions or OFAC sanctions (or otherwise), resulting in their investment in our securities being restricted. If we are sanctioned under the indirect U.S. sanctions relating to transactions with Iran s energy, shipping and military sectors, such sanctions could include, among other things, the blocking of any property in which we have an interest, which would effectively prohibit all U.S. persons from receiving any payments from us, including payments on our securities and from selling our securities.

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

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

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

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

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

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

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

Risks relating to government control

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

The Korean government, through the KDIC, currently owns 56.97% of our outstanding common stock, although it is in the process of implementing a privatization plan with respect to us and our subsidiaries pursuant to which it intends to dispose of such common stock. See Risks relating to our financial holding company structure and strategy The implementation of the Korean government s privatization plan may have an adverse effect on us and your interests as a shareholder. So long as the Korean government remains our controlling stockholder, it will have the ability to cause us to take actions or pursue policy objectives that may conflict with

Table of Contents

the interests of our other stockholders. For example, in order to further its public policy goals, the Korean government could request that we participate with respect to a takeover of a troubled financial institution or encourage us to provide financial support to particular entities or sectors. Such actions or others that are not consistent with maximizing our profits or the value of our common stock may have an adverse impact on our results of operations and financial condition and may cause the price of our common stock and ADSs to decline.

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

Risks relating to government regulation and policy

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

Through its policy guidelines and recommendations, the Korean government has promoted and, as a matter of policy, may continue to attempt to promote lending by the Korean financial industry to particular types of borrowers. For example, the Korean government has in the past announced policy guidelines requesting financial institutions to participate in remedial programs for troubled corporate borrowers, as well as policies aimed at promoting certain sectors of the economy, including measures such as making low interest funding available to financial institutions that lend to these sectors. The government has in this manner encouraged mortgage lending to low-income individuals and lending to small- and medium-sized enterprises. We expect that all loans or credits made pursuant to these government policies will be reviewed in accordance with our credit approval procedures. However, these or any future government policies may influence us to lend to certain sectors or in a manner in which we otherwise would not in the absence of that policy.

In the past, the Korean government has also announced policies under which financial institutions in Korea are encouraged to provide financial support to particular sectors. For example, in light of the deteriorating financial condition and liquidity position of small- and medium-sized enterprises in Korea as a result of the global financial crisis commencing in the second half of 2008 and adverse conditions in the Korean economy affecting consumers, the Korean government introduced measures intended to encourage Korean banks to provide financial support to small- and medium-sized enterprise borrowers. See Risks relating to our corporate credit portfolio The largest portion of our exposure is to small- and medium-sized enterprises, and financial difficulties experienced by companies in this segment may result in a deterioration of our asset quality and have an adverse impact on us.

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

The Financial Services Commission may impose burdensome measures on us if it deems us or one of our subsidiaries to be financially unsound.

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

- capital increases or reductions;
- stock cancellations or consolidations;

- transfers of business;
- sales of assets;
- closures of branch offices;
- mergers with other financial institutions; and
- suspensions of a part or all of our business operations.

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

Risks relating to Korea

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

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

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

Developments that could hurt Korea s economy in the future include:

- difficulties in the financial sector in Europe and elsewhere and increased sovereign default risks in select countries and the resulting adverse effects on the global financial markets;
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar, the euro or the Japanese yen exchange rates or revaluation of the Chinese renminbi), interest rates, inflation rates or stock markets;
- adverse conditions in the economies of countries and regions that are important export markets for Korea, such as the United States, Europe, Japan and China, or in emerging market economies in Asia or elsewhere;

further decreases in the market prices of Korean real estate;

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

declines in consumer confidence and a slowdown in consumer spending;

increasing levels of household debt;

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

Table of Contents

the continued emergence of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to China);

social and labor unrest;

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

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

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

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

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

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

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

the occurrence of severe health epidemics in Korea or other parts of the world;

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

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

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

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

changes in financial regulations in Korea.

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

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

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

In March 2013, North Korea stated that it had entered into a state of war with Korea, declaring the 1953 armistice invalid, and set its artillery units at a heightened level of readiness for deployment, to protest against the joint military drills performed by Korea and United States and additional international sanctions imposed on North Korea for its missile and nuclear tests;

North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted three rounds of nuclear tests from October 2006 to February 2013, which increased tensions in the region and elicited strong objections worldwide. In response, the United Nations Security Council unanimously passed resolutions that condemned North Korea for the nuclear tests and expanded sanctions against North Korea, most recently in March 2013.

In December 2012, North Korea launched a satellite into orbit using a long-range rocket, despite concerns in the international community that such a launch would be in violation of the agreement with the United States as well as United Nations Security Council resolutions that prohibit North Korea from conducting launches that use ballistic missile technology.

In March 2010, a Korean naval vessel was destroyed by an underwater explosion, killing many of the crewmen on board. In November 2010, North Korea fired more than one hundred artillery shells that hit Korea s Yeonpyeong Island near the Northern Limit Line, causing casualties and significant property damage. The Korean government condemned North Korea for the attacks and vowed stern retaliation should there be further provocation.

North Korea s economy also faces severe challenges. For example, in November 2009, the North Korean government redenominated its currency at a ratio of 100 to 1 as part of a currency reform undertaken in an attempt to control inflation and reduce income gaps. In tandem with the currency redenomination, the North Korean government banned the use or possession of foreign currency by its residents and closed down privately run markets, which led to severe inflation and food shortages. Such developments may further aggravate social and political tensions within North Korea.

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

Labor unrest in Korea may adversely affect our operations.

Economic difficulties in Korea or increases in corporate reorganizations and bankruptcies could result in layoffs and higher unemployment. Such developments could lead to social unrest and substantially increase government expenditures for unemployment compensation and other costs for social programs. According to statistics from the Korea National Statistical Office, the unemployment rate was 3.2% in 2012 and decreased to 3.1% in 2013. Future increases in unemployment and any resulting labor unrest in the future could adversely affect our operations, as well as the operations of many of our customers and their ability to repay their loans, and could adversely affect the financial condition of Korean companies in general, depressing the price of their securities. Furthermore, the government s privatization plan with respect to us and our subsidiaries contemplates significant corporate and organizational changes including a merger between us and Woori Bank and the subsequent sale of such merged entity, which may lead to labor unrest among our employees. See Item 4A. History and Development of the Company Privatization Plan. Any of these developments may have an adverse effect on our financial condition and results of operations.

Risks relating to our common stock and ADSs

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

The KDIC currently owns 459,198,609 shares, or 56.97%, of our outstanding common stock. In the future, the KDIC may choose to sell large blocks of our common stock publicly or privately to a strategic or financial investor, including for the purpose of recovering the public funds it injected into our subsidiaries to recapitalize them. For example, in September 2004, the KDIC sold approximately 45 million shares of our common stock, which constituted 5.7% of our outstanding common stock, and in June 2007, the KDIC disposed of approximately 40 million shares of our common stock, which constituted 5.0% of our outstanding common stock. In addition, in November 2009, the KDIC sold approximately 56 million shares of our common stock,

Table of Contents

which constituted 7.0% of our outstanding common stock. Most recently, in April 2010, the KDIC disposed of approximately 73 million shares of our common stock, which constituted 9.0% of our outstanding common stock.

In June 2013, the Korean government, through the Public Funds Oversight Committee of the Financial Services Commission, announced its latest plan to privatize us. The privatization plan provides for the segregation of us and our subsidiaries into three groups of entities and the disposal of the Korean government s interest in these entities held through the KDIC, in a series of transactions, some of which are currently pending. See Risks relating to our financial holding company structure and strategy The implementation of the Korean government s privatization plan may have an adverse effect on us and your interests as a shareholder. The privatization plan may be changed by the Korean government, or its further implementation may be delayed, depending on market conditions and other factors. Furthermore, if such plan proceeds, our privatization may entail the merger of our holding company with our subsidiary, Woori Bank. We do not know precisely when, how or what percentage of our shares owned by the KDIC will ultimately be disposed of, or to whom such shares will be sold, or when and how our holding company may be merged with Woori Bank. As a result, we cannot predict the impact of any such transactions on us or our stock prices. The implementation of the Korean government s privatization plan with respect to us and our subsidiaries, including future sales of our common stock by the KDIC and future merger of our holding company with Woori Bank, or the possibility that such transactions may occur, could adversely affect the prevailing market prices of our common stock and ADSs.

Ownership of our common stock is restricted under Korean law.

Under the Financial Holding Company Act, a single stockholder, together with its affiliates, is generally prohibited from owning more than 10.0% of the issued and outstanding shares of voting stock of a bank holding company such as us that controls a nationwide bank, with the exception of certain stockholders that are non-financial business group companies, whose applicable limit has been reduced from 9.0% to 4.0% pursuant to an amendment of the Financial Holding Company Act which became effective from February 14, 2014. To the extent that the total number of shares of our common stock (including those represented by ADSs) that you and your affiliates own together exceeds the applicable limits, you will not be entitled to exercise the voting rights for the excess shares, and the Financial Services Commission may order you to dispose of the excess shares within a period of up to six months. Failure to comply with such an order would result in an administrative fine of up to 0.03% of the book value of such shares per day until the date of disposal. Non-financial business group companies can no longer acquire more than 4.0% of the issued and outstanding shares of voting stock of a bank holding company pursuant to the amended Financial Holding Company Act, which grants an exception for non-financial business group companies which, at the time of the enactment of the amended provisions, held more than 4.0% of the shares thereof with the approval of the Financial Services Commission before the amendment. See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Financial Holding Companies Restrictions on Ownership of a Financial Holding Company.

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

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

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

Under the terms of our deposit agreement, holders of common stock may deposit such stock with the depositary s custodian in Korea and obtain ADSs, and holders of ADSs may surrender ADSs to the depositary

Table of Contents

and receive common stock. However, to the extent that a deposit of common stock exceeds any limit that we may specify from time to time, that common stock will not be accepted for deposit unless our consent with respect to such deposit has been obtained. We currently have not set any such limit; however, we have the right to do so at any time. Under the terms of the deposit agreement, no consent would be required if the shares of common stock were to be obtained through a dividend, free distribution, rights offering or reclassification of such stock. We have consented, under the terms of the deposit agreement, to any deposit unless the deposit would be prohibited by applicable laws or violate our articles of incorporation. If we choose to impose a limit on deposits in the future, however, we might not consent to the deposit of any additional common stock. In that circumstance, if you surrender ADSs and withdraw common stock, you may not be able to deposit the stock again to obtain ADSs. See Item 9C. Markets Restrictions Applicable to Shares.

You will not have preemptive rights in some circumstances.

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

- we have requested in a timely manner that those rights be made available to such holders;
- the depositary has received the documents that are required to be delivered under the terms of the deposit agreement, which may include confirmation that a registration statement filed by us under the U.S. Securities Act of 1933, as amended (the Securities Act), is in effect with respect to those shares or that the offering and sale of those shares is exempt from or is not subject to the registration requirements of the Securities Act; and
- the depositary determines, after consulting with us, that the distribution of rights is lawful and commercially feasible.

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

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

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

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

Table of Contents

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

Our common stock is listed on the KRX KOSPI Market, which has a smaller market capitalization and is more volatile than the securities markets in the United States and many European countries. The market value of ADSs may fluctuate in response to the fluctuation of the trading price of shares of our common stock on the KRX KOSPI Market. The KRX KOSPI Market has experienced substantial fluctuations in the prices and volumes of sales of listed securities and the KRX KOSPI Market has prescribed a fixed range in which share prices are permitted to move on a daily basis. The KOSPI was 1,999.22 on April 21, 2014. There is no guarantee that the stock prices of Korean companies will not decline again in the future. Like other securities markets, including those in developed markets, the Korean securities market has experienced problems including market manipulation, insider trading and settlement failures. The recurrence of these or similar problems could have a material adverse effect on the market price and liquidity of the securities of Korean companies, including our common stock and ADSs, in both the domestic and the international markets.

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

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

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

Other Risks

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

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

Item 4. INFORMATION ON THE COMPANY

Item 4A. *History and Development of the Company*

Overview

Woori Finance Holdings was incorporated as Korea s first financial holding company on March 27, 2001 and commenced commercial operations on April 2, 2001. We were established by the KDIC to consolidate the Korean government s interests in:

- four commercial banks (Hanvit Bank (since renamed Woori Bank), Kwangju Bank, Kyongnam Bank and Peace Bank of Korea (since renamed Woori Credit Card and merged with Woori Bank)),

37

Table of Contents

one merchant bank (Hanaro Merchant Bank (since renamed Woori Investment Bank and merged with Woori Bank)), and

a number of other smaller financial institutions.

We were created pursuant to the Financial Holding Company Act, which was enacted in October 2000 and which, together with associated regulations and a related presidential decree, has enabled banks and other financial institutions, including insurance companies, investment trust companies, credit card companies and securities companies, to be organized and managed under the auspices of a single financial holding company.

Our legal and commercial name is Woori Finance Holdings Co., Ltd. Our registered office and corporate headquarters are located at 51, Sogong-ro, Jung-gu, Seoul, Korea. Our telephone number is 822-2125-2000. Our website address is *http://www.woorifg.com.*

History

Establishment of Woori Finance Holdings

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

Despite the measures implemented by the government, however, the predecessor operations of substantially all of our subsidiaries recorded significant losses in 1999 and 2000, primarily as a result of high levels of non-performing credits and loan loss provisioning. Based on subsequent audits conducted by the Financial Supervisory Service of a number of Korean commercial and merchant banks, the Financial Services Commission announced in April 2000 that certain financial institutions had a high risk of insolvency and that substantial remedial measures were required.

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

Merchant Banking Operations. On November 3, 2000, the KDIC established Hanaro Merchant Bank (which was renamed Woori Investment Bank and eventually merged with Woori Bank) to restructure substantially all of the assets and liabilities of four failed merchant banks (Yeungnam Merchant Banking Corporation, Central Banking Corporation, Korea Merchant Banking Corporation and H&S Investment Bank) that were transferred to it.

Formation of Financial Holding Company. In January 2001, Hanvit Bank, Kwangju Bank, Kyongnam Bank, Peace Bank of Korea and Hanaro Merchant Bank agreed in principle to consolidate and become subsidiaries of a new financial holding company. In July 2001, each entity entered into a memorandum of understanding with us, and we entered into a separate memorandum of understanding with the KDIC. These memoranda of understanding along with those entered between such subsidiaries and the KDIC, which are described in more detail below, established the basis for the relationships among us, our commercial banking subsidiaries and the KDIC. These memoranda set forth, among other things, financial targets and restructuring objectives that we and our commercial banking subsidiaries were expected to satisfy in order to create a fully integrated financial services provider and to enable the KDIC to recover the public funds used to recapitalize our commercial banking subsidiaries. On March 27, 2001, the KDIC transferred all of its shares in each of Hanvit Bank, Kwangju Bank, Kyongnam Bank, Peace Bank of Korea and Hanaro Merchant Bank to our company in exchange for our newly issued shares. Accordingly, we became the sole owner of those subsidiaries. We subsequently listed our shares on the KRX KOSPI Market on June 24, 2002.

Relationship with the Korean Government

Our relationship with the Korean government is governed by a number of agreements, including in particular the agreements discussed below. In addition, the Korean government, through the KDIC, is our largest shareholder and accordingly has the ability to require us to take a number of actions beyond those specifically covered by these agreements. See Item 3D. Risk Factors Risks relating to government control and Risks relating to government regulation and policy.

Labor-Government Agreement. Under a December 2000 agreement between our subsidiaries labor unions and the Korean government, we control the management strategies of our subsidiaries and have the ability to dispose of overlapping business lines. Pursuant to this agreement, any downsizing that may be required in connection with the reorganization of our subsidiaries operations should be implemented based on separate agreements concluded between us and our subsidiaries labor unions. In July 2002, we reached an agreement with the labor unions of Kwangju Bank and Kyongnam Bank pursuant to which we agreed to maintain the two banks as separate entities, while integrating the operating standards (including risk management operations) and information technology systems of our commercial banking subsidiaries.

Memoranda of Understanding between our Commercial Banking Subsidiaries and the KDIC. In December 2000, in connection with the capital contributions made by the KDIC into each of Hanvit Bank, Kwangju Bank, Kyongnam Bank, Peace Bank of Korea and Hanaro Merchant Bank, these subsidiaries entered into separate memoranda of understanding with the KDIC that included business normalization plans. The plans were substantially identical with respect to each bank, other than with respect to specific financial targets, and primarily dealt with each subsidiary s obligation to implement a two-year business normalization plan covering 2001 and 2002. To the extent that any subsidiary fails to implement its business normalization plan or to meet financial targets, the KDIC has the right to impose sanctions on that subsidiary s directors or employees, or to require the subsidiary to take certain actions. In addition, each subsidiary is required to take all actions necessary to enable us to return to the KDIC any public funds injected into them, so long as that action does not cause a material adverse effect on the normalization of business operations as contemplated by the memorandum of understanding.

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

Since 2000, our commercial banking subsidiaries have periodically entered into new business normalization plans with the KDIC, with new restructuring measures and financial targets. In February and October 2010 and February 2011, the KDIC imposed institutional warnings on Woori Bank in connection with its failure to meet its financial targets with respect to operating income per employee as of September 30, 2009, return on assets and non-performing loan ratio as of June 30, 2010 and non-performing loan ratio as of September 30, 2010. In October 2010, the KDIC imposed an institutional warning on Kyongnam Bank, as well as reprimands and warnings on 10 current and former executive officers of Kyongnam Bank, in connection with certain fraudulent transactions ostensibly undertaken on behalf of Kyongnam Bank by certain employees and their potential impact on Kyongnam Bank. See Item 8A. Consolidated Statements and Other Financial Information Legal Proceedings Discontinued Operations Kyongnam Bank. In April 2011, the KDIC imposed another institutional warning on Woori Bank, as well as a warning on the former chief executive officer of Woori Bank, in connection with its failure to meet the financial targets with respect to its return on assets as of December 31, 2010. Each of Woori Bank, Kwangju Bank and Kyongnam Bank entered into new successive one-year business normalization plans with new restructuring measures and financial targets with the KDIC in March 2011 and 2012 and April 2013. Each met all of its financial targets under the plan in 2011. In April 2013, the KDIC elected not to impose any penalties on Kwangju Bank or Kyongnam Bank regarding a failure to meet its financial target for expense to revenue ratio and return on assets, respectively, in each case as of December 31, 2012, in light of the strength of their overall performance with respect to the other financial targets. While Woori Bank failed to meet its financial targets for return on assets and non-performing loan ratio as of December 31, 2013, the KDIC has yet to impose any sanctions on Woori Bank.

In March 2014, Woori Bank entered into a new one-year business normalization plan with the KDIC. See Recent Developments with the KDIC.

Memorandum of Understanding with the KDIC. In July 2001, we entered into a memorandum of understanding with the KDIC, which included financial targets and a business plan. Under this memorandum, we are required to take all actions necessary (including making dividend payments and share buybacks and cancellations) to return the public funds injected into us by the KDIC, but only to the extent that these actions would not cause a material adverse effect on the contemplated normalization of our operations. To the extent that we fail to perform our obligations, the KDIC is entitled to impose sanctions on our directors and employees, ranging from warnings and wage reductions to suspension or termination of employment. The KDIC can also order us to take remedial measures against those subsidiaries with whom we have entered into separate memoranda of understanding. See Memoranda of Understanding with Our Subsidiaries.

The business plan included in the memorandum of understanding, which we prepared and which the KDIC approved, set forth the basis on which we were to manage the normalization and integration of our subsidiaries operations and to return the public funds that were injected into them. The business plan also set financial targets for our capital ratio, return on total assets, expense-to-revenue ratio, operating income per employee, non-performing loan ratio and holding company expense ratio. We were required to meet these financial targets on a semi-annual basis. The memorandum of understanding will terminate once the KDIC loses its status as our largest shareholder.

Pursuant to the terms of this memorandum of understanding, we have periodically entered into a new business normalization plan with the KDIC, with new restructuring measures and financial targets. In April 2011, the KDIC imposed an institutional warning on us in connection with our failure to meet our financial targets with respect to our non-performing loan ratio as of December 31, 2010. In March 2011 and 2012 and April 2013, we entered into successive new one-year business normalization plans with new restructuring measures and financial targets with the KDIC, under which we met all of our financial targets in 2011. In April 2013, the KDIC elected not to impose any penalties on us for our failure to meet our financial target for our expense-to-revenue ratios for 2012, in light of the strength of our overall performance with respect to the other financial targets. While we failed to meet our financial targets for return on assets, expense-to-revenue ratio and non-performing loan ratio as of December 31, 2013, the KDIC has yet to impose any sanctions on us. In March 2014, we entered into a new one-year business normalization plan with the KDIC. See Recent Developments with the KDIC.

Memoranda of Understanding with Our Subsidiaries. In July 2001, we entered into separate memoranda of understanding with each of Woori Bank (formerly Hanvit Bank), Kwangju Bank, Kyongnam Bank, Peace Bank of Korea and Hanaro Merchant Bank, each of which included financial targets and a business initiative plan. Under the terms of each memorandum of understanding, our role within the group includes supervising the implementation of overall management policies and strategies, determining business targets for each subsidiary in order to meet our respective business targets, consulting with each subsidiary with respect to its business plans, budgets, dividend policies and capital increases, evaluating the management of each subsidiary and determining management compensation. The role of each subsidiary includes executing the business targets we set, consulting with us with respect to important management decisions, developing a restructuring execution plan and cooperating with respect to paying consulting fees incurred in connection with developing business strategies.

If we determine that a subsidiary has failed to perform its obligations under its memorandum of understanding, we have the right to impose sanctions on its directors or employees, or to take other remedial measures. Each memorandum of understanding also provides that it will terminate if the subsidiary loses its status as our subsidiary under the Financial Holding Company Act. The memorandum of understanding would not, however, terminate simply if the KDIC were to lose its status as our largest shareholder.

The specified financial targets for 2014 that are to be met by Woori Bank, Kwangju Bank and Kyongnam Bank are identical to those imposed by the KDIC on those subsidiaries.

Recent Developments with the KDIC. In March 2014, we and Woori Bank, Kwangju Bank and Kyongnam Bank each entered into a new one-year business normalization plan with the KDIC that included new restructuring measures and financial targets. Such new plan also provides that the calculation of income amounts (including adjusted operating income) to be used in measuring compliance with financial targets for return on total assets, expense-to-revenue ratio, operating income per employee and holding company expense ratio as of or for the year ending December 31, 2014 will be subject to an adjustment to negate the effect of any decrease in the net interest margin of Woori Bank, Kwangju Bank and Kyongnam Bank. In addition, the plan primarily dealt with ways to increase labor and cost efficiency, strengthen our risk management system, improve our asset quality and improve our profitability through increased synergy among the group members. The other terms of the previously agreed memoranda of understanding remain unchanged.

Our one-year business normalization plan sets forth six financial targets for fiscal year 2014 that we are required to meet, with semi-annual targets being set internally by us in accordance with the year-end targets. Our targets for fiscal year 2014 are set forth in the following table:

	As of or for the six months ending June 30, 2014	**As of or for the year ending December 31, 2014**
Capital adequacy ratio(1)	10.0%	10.0%
Return on total assets(2)	0.08	0.41
Expense-to-revenue ratio(3)	64.0	49.6
Operating income per employee (Won millions)(4)	2.4	3.3
Non-performing loan ratio(5)	2.2%	1.4%
Holding company expense ratio(6)	0.90	0.61

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

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

(3) Represents the ratio of general and administrative expenses to adjusted operating income. Adjusted operating income represents operating income (i) before subtracting impairment losses on credit loss and general and administrative expenses and (ii) after subtracting (a) gain (loss) on valuation and disposal of equity investment securities and (b) income from Won-denominated loans with respect to the amount of such loans that exceeds the amount of Won-denominated deposits.

(4) Represents the ratio of adjusted operating income to total number of full-time employees.

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

(6) Represents the ratio of the holding company s expenses to adjusted operating income of its subsidiaries.

Each of Woori Bank, Kwangju Bank and Kyongnam Bank also submitted similar one-year business normalization plans that contain annual and quarterly financial targets each subsidiary is required to meet. We expect that we and Woori Bank will be required to enter into new business normalization plans with the KDIC every year so long as the KDIC remains our largest shareholder.

Reorganization and Expansion Plans

Following our establishment and our acquisition of our subsidiaries, we developed a reorganization and integration plan designed to reorganize the corporate structure of some of our subsidiaries and integrate our operations under a single management structure. As part of this plan, and after receiving approval from the Financial Services Commission for each of these measures:

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

splitting off its commercial banking operations and merging them into Woori Bank;

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

- transferring the credit card operations of Woori Bank to Woori Credit Card. In connection with this transfer, Woori Credit Card acquired all of the existing credit card accounts of Woori Bank but none of the outstanding receivables with respect to such accounts, which remained with Woori Bank.

- In March 2002, we made Woori Investment Trust Management a direct subsidiary by acquiring all of its outstanding capital stock from Woori Bank.

- In July 2002, we made Woori Securities a direct subsidiary by acquiring a majority of its outstanding capital stock from Woori Bank.

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

- In August 2003, we merged Woori Investment Bank with Woori Bank by exchanging Woori Investment Bank s shares with shares of Woori Bank.

In succeeding years, we adopted plans to further reorganize and expand our operations, including through mergers, acquisitions and investments. Pursuant to such reorganization and expansion plans:

- In March 2004, we merged Woori Credit Card with Woori Bank. In connection with this merger, Woori Credit Card spun off and transferred to Kwangju Bank all of the existing credit card accounts (but none of the outstanding receivables with respect to such accounts) that Woori Credit Card had previously acquired from Kwangju Bank.

- In June 2004, we acquired the 39.7% interest in Woori Securities that we did not own, and delisted it from the KRX KOSPI Market in July 2004.

- In October and December 2004, we acquired an aggregate 27.3% voting interest in LGIS. In March 2005, we merged Woori Securities into LGIS and renamed the surviving entity Woori Investment & Securities, which became an equity method investee under U.S. GAAP. Currently, Woori Investment & Securities is accounted for as a consolidated subsidiary under IFRS.

- In May 2005, we acquired a 90.0% interest in LGITM from Woori Investment & Securities and merged Woori Investment Trust Management into LGITM. We renamed the surviving entity Woori Asset Management, which remains a consolidated subsidiary. In July and September 2005, Woori Asset Management reacquired the remaining 10.0% interest from its minority shareholders. In May 2006, we transferred 30.0% of our interest in Woori Asset Management to Credit Suisse. Following this transfer, we renamed the entity Woori Credit Suisse Asset Management. In October 2009, we reacquired Credit Suisse s 30.0% ownership interest in Woori Credit Suisse Asset Management and renamed the entity Woori Asset Management.

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

- In April 2008, we acquired a 51.0% interest in LIG Life Insurance. In connection with this acquisition, we entered into a joint venture agreement with Aviva International Holdings Limited. Aviva International Holdings Limited (through its wholly-owned subsidiary Aviva Asia Holdings Private Limited), and we collectively hold a 98.9% interest in LIG Life Insurance, which was subsequently renamed Woori Aviva Life Insurance. We account for Woori Aviva Life Insurance as part of our investments in joint ventures and associates.

In March 2011, we acquired certain assets and assumed certain liabilities of Samhwa Mutual Savings Bank through our wholly-owned subsidiary, Woori FG Savings Bank Co., Ltd., which was established in connection with such transaction.

In October 2011, we acquired all of the outstanding common stock of Kwangju Bank and Kyongnam Bank that we did not previously own by exchanging shares of our own common stock for such shares, pursuant to which Kwangju Bank and Kyongnam Bank became wholly-owned subsidiaries.

Table of Contents

In September 2012, we acquired certain assets and assumed certain liabilities of Solomon Mutual Savings Bank through our wholly-owned subsidiary, Woori FG Savings Bank Co., Ltd.

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

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

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

In January 2014, we completed the purchase of an additional 27% equity interest through Woori Bank (in addition to the 6% equity interest we previously acquired through our indirect subsidiary P.T. Bank Woori Indonesia) in P.T. Bank Himpunan Saudara 1906, an Indonesian commercial bank with a network of over 100 branches and offices throughout Indonesia. As a result, we became the second largest shareholder of this entity, and we plan to merge it in the future with P.T. Bank Woori Indonesia.

Privatization Plan

In June 2013, the Korean government, through the Public Funds Oversight Committee of the Financial Services Commission, announced its latest plan to privatize us. The privatization plan provides for the segregation of us and our subsidiaries into three groups of entities and the disposal of the Korean government s interest in these entities, which is held through the KDIC in a series of transactions, as follows:

Kwangju Bank and Kyongnam Bank. In May 2014, we plan to establish KJB Financial Group Co., Ltd. and KNB Financial Group Co., Ltd. through a spin-off of our businesses related to the holding of the shares and thereby controlling the business operations of Kwangju Bank and Kyongnam Bank, respectively. As a result of such spin-off, KJB Financial Group will own the shares of Kwangju Bank currently held by us, and KNB Financial Group will own the shares of Kyongnam Bank currently held by us. We will no longer own any shares of Kwangju Bank or Kyongnam Bank, and neither they nor their new holding companies will be our subsidiaries, after the spin-off. See Spin-off of Kwangju Bank and Kyongnam Bank. Following such spin-off, each of these banks will be merged with its holding company, with the banks becoming the surviving entities of such mergers. The KDIC will then sell its 56.97% ownership interest in each such merged entity. The preparatory process for these transactions commenced in July 2013. In December 2013, JB Financial Group and BS Financial Group were selected as the preferred bidders to purchase the KDIC s ownership interest in Kwangju Bank and Kyongnam Bank, respectively. No definitive agreements for the sale of the KDIC s ownership interest in Kwangju Bank and Kyongnam Bank have been entered into between the KDIC and the relevant preferred bidders.

Woori Investment & Securities and Other Subsidiaries. We have sold or plan to sell our ownership interest in Woori Investment & Securities and certain other subsidiaries, including Woori Asset Management, Woori Aviva Life Insurance, Woori FG Savings Bank, Woori F&I and Woori Financial. The preparatory process for these transactions commenced in July 2013. In March 2014, we sold our 52% ownership interest in Woori Financial to KB Financial Group Inc. We also entered into share purchase agreements for (i) the sale of our 100% ownership interest in Woori Asset Management to Kiwoom Securities Co., Ltd. in February 2014, (ii) the sale of our 100% ownership interest in Woori F&I to Daishin Securities Co., Ltd. in April 2014 and (iii) the collective sale of our 37.9% ownership interest in Woori Investment & Securities, 51.6% ownership interest in Woori Aviva Life Insurance and 100% ownership interest in Woori FG Savings Bank to NongHyup Financial Group Inc. in April 2014. See Disposal of Woori Financial, Woori Asset Management, Woori F&I, Woori Investment & Securities, Woori Aviva Life Insurance and Woori FG Savings Bank.

Woori Bank. Following the spin-off of our businesses related to Kwangju Bank and Kyongnam Bank and the sales of Woori Investment & Securities and other subsidiaries as described above, we plan to merge our holding company with Woori Bank, after which the KDIC will sell all or a part of its 56.97% ownership interest in the merged entity. Our remaining subsidiaries, including Woori Card, Woori Private Equity, Woori FIS, Woori Investment Bank (formerly Kumho Investment Bank) and Woori Finance Research Institute, as well as any subsidiaries that have not been otherwise sold by such time, will become subsidiaries of the merged entity as a result of such merger. The timing and structure of the merger and sale remain uncertain.

However, the privatization plan with respect to us and our subsidiaries may be changed by the Korean government, or its further implementation may be delayed, depending on market conditions and other factors, and accordingly there is no guarantee that such plan will be implemented as contemplated.

The implementation of the Korean government s privatization plan will allow the KDIC to recover public funds previously injected into us and is therefore in the Korean government s interest. However, the implementation of the plan will have a significant impact on us. For example, the spin-off of Kwangju Bank and Kyongnam Bank, the disposal of Woori Investment & Securities and other non-banking subsidiaries, the loss of our status as a large and diversified financial group and the loss of the Korean government as our controlling shareholder may hurt our competitive position and may have a material adverse effect on our business, financial condition and results of operations, as well as our credit profile and credit ratings. Furthermore, the implementation of the privatization plan will lead to diversion of management attention from the day-to-day operations of, and may result in significant labor unrest at, our company and our subsidiaries. In addition, the merger of our holding company with Woori Bank and the sale of the merged entity to one or more third parties may result in a change in our management and may require the merged entity to integrate its operations and systems with those of the purchasers or their affiliates and to reorganize or reduce overlapping personnel, branches, networks and administrative functions. There is also no guarantee that the various transactions provided for in the privatization plan will not result in unintended adverse tax consequences for us and our subsidiaries, as well as our shareholders.

Spin-off of Kwangju Bank and Kyongnam Bank

In August 2013, our board of directors approved a plan to establish two new companies, KJB Financial Group Co., Ltd. and KNB Financial Group Co., Ltd. (which we refer to as the New Holdcos), through a spin-off (which we refer to as the Spin-off) of our businesses related to the holding of the shares and thereby controlling the business operations of Kwangju Bank and Kyongnam Bank, respectively. The Spin-off was approved at an extraordinary general meeting of our shareholders held on January 28, 2014 and is expected to be effected on May 1, 2014. After the Spin-off, KJB Financial Group will own the shares of Kwangju Bank currently held by us, and KNB Financial Group will own the shares of Kyongnam Bank currently held by us. We will no longer own any shares of Kwangju Bank or Kyongnam Bank, and neither they nor the New Holdcos will be our subsidiaries, after the Spin-off.

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

The Spin-off will be accomplished through a pro rata distribution of common stock, par value Won 5,000 per share, of KJB Financial Group and KNB Financial Group to the holders of our common stock. Specifically, on May 21, 2014, each holder of our common stock as of the record date of April 30, 2014 is expected to receive 0.0637 shares of common stock of KJB Financial Group and 0.0973 shares of common stock

Table of Contents

of KNB Financial Group for each share of our common stock held by such holder. Holders of our ADSs will not receive any common stock of the New Holdcos in connection with the Spin-off. Instead, the depositary for our American depositary receipts program will sell the New Holdcos common stock it receives in the Spin-off, in a riskless principal capacity, and will distribute the net proceeds of such sale to holders of the ADSs, after deducting applicable fees and expenses of the depositary and applicable taxes and other governmental charges. Neither of the New Holdcos will issue any ADSs or establish any American depositary receipts program following the Spin-off.

As a result of the Spin-off, pursuant to share consolidation procedures under Korean law, the outstanding shares of our common stock are expected to be consolidated as of May 1, 2014 such that the shareholders recorded in our shareholder register as of the record date of April 30, 2014 will be allotted 0.8390 shares of our common stock in exchange for each previously outstanding share. Our outstanding ADSs are also expected to be consolidated as of May 1, 2014 such that holders of such ADSs recorded in the transfer books of the depositary as of the record date of April 30, 2014 will be allotted 0.8390 ADSs in exchange for each previously outstanding ADS.

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

On March 20, 2014, we sold our 52% ownership interest in Woori Financial to KB Financial Group Inc. for the sale price of 280 billion. As of December 31, 2013, Woori Financial had total assets of 3,940 billion and total liabilities of 3,528 billion on a consolidated basis. For the year ended December 31, 2013, Woori Financial s operating revenues amounted to 338 billion, and its net income amounted to 54 billion, on a consolidated basis.

On February 24, 2014, we entered into a share purchase agreement for the sale of our 100% ownership interest in Woori Asset Management to Kiwoom Securities Co., Ltd, for the sale price of 76 billion. As of December 31, 2013, Woori Asset Management had total assets of 85 billion and total liabilities of 17 billion on a consolidated basis. For the year ended December 31, 2013, Woori Asset Management s operating revenues amounted to 32 billion, and its net income amounted to 4 billion, on a consolidated basis.

On April 7, 2014, we entered into a share purchase agreement for the sale of our 100% ownership interest in Woori F&I to Daishin Securities Co., Ltd., for the sale price of 368 billion. As of December 31, 2013, Woori F&I had total assets of 1,641 billion and total liabilities of 1,336 billion on a consolidated basis. For the year ended December 31, 2013, Woori F&I s operating revenues amounted to 184 billion, and its net income amounted to 49 billion, on a consolidated basis.

On April 14, 2014, we entered into a share purchase agreement for the collective sale of our 37.9% ownership interest in Woori Investment & Securities, 51.6% ownership interest in Woori Aviva Life Insurance and 100% ownership interest in Woori FG Savings Bank to NongHyup Financial Group Inc. for the sale price of 1,039 billion. As of December 31, 2013, Woori Investment & Securities, Woori Aviva Life Insurance and Woori FG Savings Bank had total assets of 29,982 billion, 4,466 billion and 823 billion, respectively, on a consolidated basis, and total liabilities of 26,534 billion, 4,309 billion and 699 billion, respectively, on a consolidated basis. For the year ended December 31, 2013, operating revenues of Woori Investment & Securities, Woori Aviva Life Insurance and Woori FG Savings Bank amounted to 4,027 billion, 982 billion and 85 billion, respectively, on a consolidated basis, and net income of Woori Investment & Securities and Woori Aviva Life Insurance amounted to 48 billion and 2 billion, respectively, on a consolidated basis. For the year ended December 31, 2013, Woori FG Savings Bank had a net loss of 34 billion.

Item 4B. Business *Business Overview*

We are Korea s first financial holding company, and our operations include one of the largest commercial banks in Korea, in terms of total assets (including loans). Our subsidiaries collectively engage in a broad range of businesses, including commercial banking, credit cards, capital markets activities, international banking, asset

Table of Contents

management and bancassurance. We provide a wide range of products and services to our customers, which mainly comprise individuals and small- and medium-sized enterprises, as well as some of Korea s largest corporations. As of December 31, 2013, we had consolidated total assets of 256 trillion (excluding discontinued operations), consolidated total deposits of 175 trillion (excluding discontinued operations) and consolidated total equity of 23 trillion.

We were established as a financial holding company in March 2001, to consolidate the Korean government s interest in a number of distressed financial institutions in the wake of the financial crisis in Korea in the late 1990s. Since our establishment, we have succeeded in restructuring our operations by: securing a solid capital base for our banking subsidiaries; improving the quality of our exposure to and our relationships in the large corporate sector; refocusing our lending activities on individual and small- and medium-sized enterprise customers to take advantage of our nationwide network of branches; expanding our activities in the areas of credit cards, asset management and bancassurance for our large base of retail customers; modernizing and strengthening our credit risk review and management capabilities; working to integrate and cross-sell our products and services; and striving to create a customer- and service-oriented culture that measures and rewards performance.

The Korean government, which currently owns 56.97% of our outstanding common stock through the KDIC, is in the process of implementing a privatization plan with respect to us and our subsidiaries. See Item 4A. History and Development of the Company Privatization Plan. In light of their planned disposition under the privatization plan, Kwangju Bank, Kyongnam Bank, Woori Investment & Securities, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I have been classified as a disposal group held for distribution or sale, and their operations have been accounted for as discontinued operations. Unless expressly stated otherwise, the financial information as of December 31, 2013 and for the years ended December 31, 2011, 2012 and 2013 set forth below does not include financial data with respect to such discontinued operations, while the financial information as of December 31, 2011 and 2012 set forth below includes financial data with respect to such discontinued operations.

The following chart provides an overview of our structure, including our significant subsidiaries and our ownership of such subsidiaries as of the date of this annual report:

(1) Classified as discontinued operations.

(2) Woori Aviva Life Insurance, in which we acquired a 51.0% interest in April 2008 and in respect of which we entered into a joint venture agreement with Aviva International Holdings Limited, is accounted for as part of our investments in joint ventures and associates. We currently hold a 51.6% interest in Woori Aviva Life Insurance.

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

Strong and long standing relationships with corporate customers. Historically the operations of Woori Bank, our largest subsidiary, concentrated on large corporate customers. As a result, we believe that we have strong relationships with many of Korea s leading corporate groups, and we are the main creditor bank to 16 of the 42 largest Korean corporate borrowers. Further enhancing our corporate loan portfolio is our ability to lend to small- and medium-sized enterprise customers. As of December 31, 2013, we had approximately 185,245 small- and medium-sized enterprise borrowers.

Large and loyal retail customer base. With respect to our consumer banking operations, we have one of the largest deposit bases of any Korean commercial bank, and over 19 million retail customers, representing about half of the Korean adult population. Of these customers, more than half are active customers, meaning that they have an account with us with a positive balance or have transacted business with us at least once during the last six months.

Extensive distribution and marketing network. We serve our customers primarily through one of the largest banking networks in Korea, comprising approximately 989 branches and over 7,285 ATMs and cash dispensers. Woori Bank also operates 10 dedicated corporate banking centers and approximately 66 general managers for our large corporate customers and approximately 950 relationship managers stationed at 804 branches (as well as 596 additional non-stationed employees who serve as relationship managers as needed) for our small- and medium-sized enterprise customers. In addition, we have Internet and mobile banking platforms to enhance customer convenience, reduce service delivery costs and allow our branch staff to focus on marketing and sales.

Strong capital base. As of December 31, 2013, our consolidated equity totaled 23 trillion, and Woori Bank s capital adequacy ratio was 15.52%. Our management team at the holding company carefully coordinates the capital and dividend plans of each of our subsidiaries and for the consolidated group to ensure that we optimize our capital position. We believe our strong capital base and coordinated capital management enable us to support growth of our core businesses and to pursue franchise-enhancing initiatives such as selective investments and acquisitions.

Strong and experienced management team. Our management team comprises both experienced managers from our subsidiaries and their predecessor companies as well as leading experienced financial industry professionals who have been recruited from outside our group to complement our team. In June 2013, Soon-Woo Lee, the chief executive officer of Woori Bank, concurrently assumed the role of our chairman and chief executive officer, which we believe has enhanced the quality of our management team and our corporate governance. We also believe that the extensive experience of many members of our management team in the financial sector will help us to continue to strengthen our operations.

Strategy

Our goal is to become a dynamic, leading full-service provider of financial services and products to corporate and consumer customers in Korea, and we will measure our success based on our ability to increase our profitability and shareholder value. We intend to capitalize on our strong market and financial position to further strengthen our capabilities, customer penetration, efficiency and profitability. The key elements of our strategy are to:

Further improve our asset quality and strengthen our risk management practices. We were one of the earliest and most aggressive banks in Korea to actively reduce non-performing loans through charge-offs and sales to third parties. Since 2002, we have taken various measures, including entering into joint venture arrangements with several financial institutions, to facilitate the disposal of our substandard or below loans. As a result of these and other initiatives, our ratio of non-performing loans to total loans has decreased significantly over the past decade and was 2.6% (excluding discontinued operations) as of December 31, 2013.

One of our highest priorities is to maintain our strong asset quality and enhance our risk management practices on an ongoing basis. We created a centralized group-wide risk management organization, installed a comprehensive warning and monitoring system, adopted uniform loan loss provisioning policies across all subsidiaries and implemented an advanced credit evaluation system called CREPIA at Woori Bank. In connection with the implementation of Basel II in Korea in January 2008, we completed upgrades to our credit risk management systems in 2007, including credit evaluation models, collateral management systems and non-performing credit management systems, as well as the implementation of a credit risk measurement engine to quantify our credit risk exposures. Furthermore, following the global financial crisis, we undertook a group-wide review of our credit risk management procedures with outside consultants in 2009, as well as undertaking further group-wide reviews of our risk management infrastructure and systems in 2009 and 2010, in order to develop and implement various measures to further standardize and improve our risk management procedures and systems.

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

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

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

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

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

In addition, we intend to continue to enter into business alliances with other leading financial service providers so that we can offer a full range of best of class products and services to our targeted customers. We actively evaluate alliances and joint venture opportunities when they arise in order to diversify our revenue stream and provide our customers with a range of sophisticated and tailored products that will complement our existing products and services. We also intend to carefully consider potential acquisitions or other strategic investments that fit within our overall strategy. When considering acquisitions, we will focus on opportunities that (1) supplement the range of products and services we offer and strengthen our existing customer base; (2) enable us to maintain our standard for asset quality and profitability; and (3) provide us with a reasonable return on our investment.

Enhance operational efficiencies and synergies. We have been seeking to improve our operational efficiency and synergies and reduce our expenses by integrating our businesses, unifying our business procedures, eliminating duplication, centralizing processes and procurement, implementing continuous automation and migrating to low cost distribution channels. In 2009, we established a centralized information technology center which enables our subsidiaries to access group-wide information technology resources and networks.

We believe that the integration of our accounting, information technology and other back-office systems allows us to further eliminate redundant functions and equipment and reduce our long-term expense. We also believe that these measures, together with our effort to encourage migration of our mass market customers to low-cost alternative channels will, reduce our costs and enhance our operating efficiencies. We are also continuing our efforts to maximize synergies among our businesses, including through increased cross-selling and marketing of a broad range of financial products and services through our financial products department stores located in Seoul.

Corporate Banking

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

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

	As of December 31,					
	2011		2012[1]		2013[1][2]	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(in billions of Won, except percentages)					
Loans[3] :						
Small- and medium-sized enterprise[4]	83,624	39.4%	80,506	34.5%	60,793	28.3%
Large corporate[5]	33,672	15.8	38,489	16.4	38,520	18.0
Others[6]	17,690	8.3	18,718	8.0	19,203	8.9
Total	134,986	63.5%	137,713	58.9%	118,516	55.2%
Deposits:						
Small- and medium-sized enterprise	30,977	15.8%	29,783	14.6%	30,472	17.4%
Large corporate	61,561	31.4	66,269	32.5	50,453	28.8%
Total	92,538	47.2%	96,052	47.1%	80,925	46.2%
Number of borrowers:						
Small- and medium-sized enterprise	225,791		228,084		185,245	
Large corporate	2,739		2,811		3,283	

(1) The amounts as of December 31, 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts as of December 31, 2012 (but not as of December 31, 2011) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.

(2) The amounts as of December 31, 2013 reflect the classification of certain subsidiaries as discontinued operations.

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

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

(5) Loans to companies that are not small- and medium-size enterprises as defined in the Small and Medium Industry Basic Act of Korea and related regulations, and typically including companies that have assets of 10 billion or more and are therefore subject to external audit under the External Audit Act of Korea. See Large Corporate Banking.

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

Corporate loans we provide consist principally of the following:

working capital loans, which are loans used for general working capital purposes, typically with a maturity of one year or less, including notes discounted and trade finance; and *facilities loans*, which are loans to finance the purchase of materials, equipment and facilities, typically with a maturity of three years or more.

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

Small- and Medium-Sized Enterprise Banking

We use the term small- and medium-sized enterprises as defined in the Small and Medium Industry Basic Act of Korea and related regulations. Under the Small and Medium Industry Basic Act of Korea and related regulations, in order to qualify as a small- and medium-sized enterprise, (i) the number of regular employees of the enterprise must be less than 1,000, (ii) the enterprise s total assets at the end of the immediately preceding fiscal year must be less than 500 billion, (iii) the enterprise s paid-in capital at the end of the immediately preceding fiscal year must be less than 100 billion, (iv) the enterprise s average sales revenues for the most recent three fiscal years must be less than 150 billion, (v) the enterprise must meet the standards prescribed by the Presidential Decree applicable to the type of its main business and (vi) the enterprise must meet the standards of management independence from ownership as prescribed by the Presidential Decree, including non-membership in a conglomerate as defined in the Monopoly Regulations and Fair Trade Act. Furthermore, non-profit enterprises with a number of regular employees not exceeding 300 and the sales revenue of less than 30 billion that satisfy certain requirements prescribed in the Small and Medium Industry Basic Act may qualify as a small- and medium-sized enterprise. The small- and medium-sized enterprise segment of the corporate banking market has grown significantly in recent years, including as a result of government measures to encourage lending to these enterprises. As of December 31, 2013, excluding discontinued operations, 32.2% of our small- and medium-sized enterprise loans were extended to borrowers in the manufacturing industry, 17.4% were extended to borrowers in the retail and wholesale industry and 4.9% were extended to borrowers in the construction industry.

We service our small- and medium-sized enterprise customers primarily through Woori Bank s network of branches and small- and medium-sized enterprise relationship managers. As of December 31, 2013, Woori Bank had stationed one or more relationship managers at 804 branches, of which 385 were located in the Seoul metropolitan area. The relationship managers specialize in servicing the banking needs of small- and medium-sized enterprise customers and concentrate their marketing efforts on developing new customers in this segment. As of December 31, 2013, Woori Bank had a total of 950 small- and medium-sized enterprise relationship managers stationed at its branches (as well as 596 non-stationed employees who serve as relationship managers as needed).

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

Lending Activities. We provide both working capital loans and facilities loans to our small- and medium-sized enterprise customers. As of December 31, 2013, excluding discontinued operations, working capital loans and facilities loans accounted for 61.8% and 32.9%, respectively, of our total small- and medium-sized enterprise loans. As of December 31, 2013, we had approximately 185,245 small- and medium-sized enterprise borrowers.

As of December 31, 2013, excluding discontinued operations, secured loans and loans guaranteed by a third party accounted for 63.6% and 12.1%, respectively, of our small- and medium-sized enterprise loans. As of

December 31, 2013, approximately 75.8% of the secured loans were secured by real estate and 3.4% were secured by deposits. Working capital loans generally have a maturity of one year, but may be extended on an annual basis for an aggregate term of three to five years if periodic payments are made. Facilities loans have a maximum maturity of ten years.

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

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

Pricing. We establish the pricing for our small- and medium-sized enterprise loan products based principally on transaction risk, our cost of funding and market considerations. At Woori Bank, lending rates are generally determined using our CREPIA system. Woori Bank uses its CREPIA system to manage its lending activities, and inputs data gathered from loan application forms, credit scores of borrowers and the appraisal value of collateral provided by external valuation experts into the CREPIA system and updates such information periodically to reflect changes in such information. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Credit Risk Management Credit Evaluation and Approval. We measure transaction risk using factors such as the credit rating assigned to a particular borrower and the value and type of collateral. Our system also takes into account cost factors such as the current market interest rate, opportunity cost and cost of capital, as well as a spread calculated to achieve a target rate of return. Depending on the price and other terms set by competing banks for similar borrowers, we may reduce the interest rate we charge to compete more effectively with other banks. Loan officers have limited discretion in deciding what interest rates to offer, and significant variations require review at higher levels. As of December 31, 2013, excluding discontinued operations, approximately 71.7% of our small- and medium-sized enterprise loans had interest rates that varied with reference to current market interest rates.

Large Corporate Banking

Our large corporate customers consist of companies that are not small- and medium-size enterprises as defined in the Small and Medium Industry Basic Act of Korea and related regulations, and typically include companies that have assets of 10 billion or more and are therefore subject to external audit under the External Audit Act of Korea. As a result of our history and development, particularly the history of Woori Bank, we remain the main creditor bank to many of Korea s largest corporate borrowers.

In terms of our outstanding loan balance, as of December 31, 2013, excluding discontinued operations, 41.7% of our large corporate loans were extended to borrowers in the manufacturing industry, 29.3% were extended to borrowers in the finance and insurance industry and 6.7% were extended to borrowers in the retail and wholesale industry.

We service our large corporate customers primarily through Woori Bank s network of dedicated corporate banking centers and general managers. Woori Bank operates 10 dedicated corporate banking centers, all of which are located in the Seoul metropolitan area. Each center is staffed with one or more general managers, and certain centers are headed by a senior general manager. Depending on the center, each such manager is responsible for large corporate customers that either are affiliates of a particular *chaebol* or operate in a particular industry or region. As of December 31, 2013, Woori Bank had a total of 66 general managers who focus on marketing to and managing the accounts of large corporate customers.

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

Lending Activities. We provide both working capital loans and facilities loans to our large corporate customers. As of December 31, 2013, excluding discontinued operations, working capital loans and facilities loans accounted for 36.3% and 14.1%, respectively, of our total large corporate loans.

Loans to large corporate customers may be secured by real estate or deposits or be unsecured. As of December 31, 2013, excluding discontinued operations, secured loans and loans guaranteed by a third party accounted for 14.4% and 5.4%, respectively, of our large corporate loans. Since a relatively low percentage of our large corporate loan portfolio is secured by collateral, we may be required to establish larger allowances for credit losses with respect to any such loans that become non-performing or impaired. See Assets and Liabilities Asset Quality of Loans Loan Loss Provisioning Policy. As of December 31, 2013, excluding discontinued operations, approximately 73.1% of the secured loans were secured by real estate and approximately 3.4% were secured by deposits. Working capital loans generally have a maturity of one year but may be extended on an annual basis for an aggregate term of three to five years. Facilities loans have a maximum maturity of ten years.

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

Pricing. We determine the pricing of our loans to large corporate customers in the same way that we determine the pricing of our loans to small- and medium-sized enterprise customers. See Corporate Banking Small- and Medium-Sized Enterprise Banking Pricing. As of December 31, 2013, excluding discontinued operations, approximately 86.7% of these loans had interest rates that varied with reference to current market interest rates.

Consumer Banking

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

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

Table of Contents

Lending Activities

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

	As of December 31,					
	2011		2012[1]		2013[1][2]	
	Amount[3]	% of Total Loans[4]	Amount[3]	% of Total Loans[4]	Amount[3]	% of Total Loans[4]
	(in billions of Won, except percentage)					
General purpose household loans	32,836	15.5%	31,978	14.5%	25,357	13.1%
Mortgage loans	12,138	5.7	16,409	7.4	19,952	10.3
Home equity loans	27,940	13.1	30,424	13.8	25,732	13.3
Total	72,914	34.3%	78,811	35.7%	71,041	36.7%

(1) The amounts as of December 31, 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts as of December 31, 2012 (but not as of December 31, 2011) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.

(2) The amounts as of December 31, 2013 reflect the classification of certain subsidiaries as discontinued operations.

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

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

Our consumer loans consist of:

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

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

For secured loans, including mortgage and home equity loans, we generally lend up to 60% of the collateral value (except in areas of high speculation designated by the government where we generally limit our lending to 40% to 60% of the appraised value of collateral) minus the value of any lien or other security interest that is prior to our security interest. In calculating the collateral value for real estate for such secured consumer loans (which principally consists of residential properties), we generally use the fair value of the collateral as appraised by Korea Investors Service which is collated in our CREPIA system. We generally revalue collateral on a periodic basis. As of December 31, 2013, the revaluation period was every year for real estate (with apartments being revalued every month, subject to the availability of certain specified market value information), every year for equipment, every month for deposits and every week for stocks listed on a major Korean stock exchange.

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

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

General Purpose Household Loans

Our general purpose household loans may be secured by real estate (other than homes), deposits or securities. As of December 31, 2013, excluding discontinued operations, approximately 17,492 billion, or 69.0% of our general purpose household loans were unsecured, although some of these loans were guaranteed by a third party. Overdraft loans are primarily unsecured and typically have a maturity between one and three years, and the amount of such loans has been steadily declining. As of December 31, 2013, excluding discontinued operations, this amount was approximately 1 billion.

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

Our interest rates also incorporate a margin based on, among other things, the type of collateral (if any), priority with respect to any security, our target loan-to-value ratio and loan duration. We also can adjust the applicable rate based on current or expected profit contribution of the customer. At Woori Bank, lending rates are generally determined by our CREPIA system. The applicable interest rate is determined at the time of the loan. We also charge a termination fee in the event a borrower repays the loan prior to maturity. As of December 31, 2013, excluding discontinued operations, approximately 67.2% of our general purpose household loans had floating interest rates.

Mortgage and Home Equity Lending

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

As of December 31, 2013, excluding discontinued operations, approximately 80.3% of our mortgage and home equity loans were secured by residential or other property, 11.0% of our mortgage and home equity loans were guaranteed by Korean government-related housing funds and 7.0% of our mortgage and home equity loans, contrary to general practices in the United States, were unsecured (although the use of proceeds from mortgage and home equity loans is restricted for the purpose of financing home purchases and some of these loans were guaranteed by a third party). One reason that a portion of our mortgage and home equity loans are unsecured is that we, along with other Korean banks, provide advance loans to borrowers for the down payment of new housing (particularly apartments) that is in the process of being built. Once construction is completed, which may take several years, these mortgage and home equity loans become secured by the new housing purchased by these borrowers. As of December 31, 2013, excluding discontinued operations, we had issued unsecured construction loans relating to housing where construction was not completed in the amount of 3,181 billion.

Table of Contents

For the year ended December 31, 2013, the average initial loan-to-value ratio of our mortgage loans and home equity loans was approximately 57.3% and 52.8%, respectively (excluding discontinued operations), compared to 55.9% and 52.9% for the year ended December 31, 2012. The average loan-to-value ratio of our mortgage loans and home equity loans as of December 31, 2013 was approximately 53.3% and 51.7%, respectively (excluding discontinued operations), compared to 51.3% and 50.6% as of December 31, 2012.

Pricing. The interest rates for our mortgage and home equity loans are determined on essentially the same basis as our general purpose household loans, except that for mortgage and home equity loans we place significantly greater weight on the value of any collateral that is being provided to secure the loan. The base rate we use in determining the interest rate for our mortgage and home equity loans is identical to the base rate we use to determine pricing for our general purpose household loans. As of December 31, 2013, excluding discontinued operations, approximately 61.0% of our outstanding mortgage and home equity loans had floating interest rates.

Private Banking Operations

Our private banking operations within Woori Bank aim to service our high net worth and mass affluent retail customers who individually maintain a deposit balance of at least 100 million with us. As of December 31, 2013, excluding discontinued operations, we had over 122,800 customers who qualified for private banking services, representing 0.6% of our total retail customer base. Of our total retail customer deposits of 50 trillion (excluding discontinued operations) as of December 31, 2013, high net worth and mass affluent customers accounted for 48.6%.

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

Woori Bank has 405 branches that offer private banking services. These branches are staffed by 416 private bankers, and almost all of the branches are located in metropolitan areas, including Seoul.

Woori Bank also operates two financial products department store in major metropolitan areas, which function as regular branches and through which we offer and market a variety of financial products and services, including credit cards, foreign currency products, bonds, stocks and insurance policies. These department stores employ specialists in the areas of tax, real estate and asset management and are dedicated to offering comprehensive wealth management consulting services for high net worth customers. In addition, Woori Bank operates an advisory center in Seoul for its private banking clients, which employs 15 specialists advising on matters of law, tax, real estate, risk assessment and investments.

Deposit-Taking Activities

As of December 31, 2013, we were one of the largest deposit holders among Korean banks, in large part due to our nation-wide branch network. The balance of our deposits from retail customers was 66,285 billion and 70,614 billion as of December 31, 2011 and 2012, respectively, and 65,124 billion (excluding discontinued operations) as of December 31, 2013, which constituted 33.8%, 34.6% and 37.1%, respectively, of the balance of our total deposits.

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

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

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

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

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

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

The following table sets forth the percentage of our total retail and corporate deposits represented by each deposit product category as of December 31, 2013 (excluding discontinued operations):

Demand Deposits	Time Deposits	Savings Deposits	Installment Deposits	Certificates of Deposit
27.71%	59.66%	10.74%	0.03%	1.86%

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

We also offer deposits in foreign currencies and various specialized deposits products, including:

Apartment application time deposits, which are special purpose time deposit accounts providing the holder with a preferential right to subscribe for new private apartment units under the Housing Act. This law sets forth various measures supporting the purchase of houses and the supply of such houses by construction companies. These products accrue interest at a fixed rate for one year, and at an adjustable rate after one year. Deposit amounts per account range from 2 million to 15 million depending on the size and location of the dwelling unit. These deposit products target high and middle income households.

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

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

Apartment application comprehensive deposits, which are monthly installment comprehensive savings programs providing the holder with a preferential right to subscribe for new national housing units constructed under the Housing Act or privately constructed housing units. These deposits require monthly installments of 20,000 to 500,000, terminate when the holder is selected as a subscriber for a housing unit and accrue interest at fixed rates depending on the term. These deposit products target all segments of the population.

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

The Depositor Protection Act provides for a deposit insurance system where the KDIC guarantees to depositors the repayment of their eligible bank deposits. The deposit insurance system insures up to a total of 50 million per depositor per bank. See Supervision and Regulation Principal Regulations Applicable to Banks Deposit Insurance System. We pay a quarterly premium of 0.02% of our average deposits and a quarterly special contribution of 0.025% of our average deposits, in each case for the relevant quarter. For the year ended December 31, 2013, Woori Bank paid an aggregate of 239 billion of such premiums and contributions.

Branch Network and Other Distribution Channels

Woori Bank had a total of 989 branches in Korea as of December 31, 2013, which was one of the most extensive networks of branches among Korean commercial banks. Recently, demand in Korea for mutual funds and other asset management products as well as bancassurance products has been rising. These products require an extensive sales force and customer interaction to sell, further emphasizing the need for a large branch network. As a result, an extensive branch network is important to attracting and maintaining retail customers, as they generally conduct a significant portion of their financial transactions through bank branches. We believe that our extensive branch network in Korea helps us to maintain our retail customer base, which in turn provides us with a stable and relatively low cost funding source.

The following table presents the geographical distribution of Woori Bank s branch network in Korea as of December 31, 2013:

	Total	
	Number	**% of Total**
Area		
Seoul	470	47.5%
Six largest cities (other than Seoul)	171	17.3
Other	348	35.2
Total	989	100.0%

In order to maximize access to our products and services, we have established an extensive network of ATMs and cash dispensers, which are located in branches as well as unmanned outlets. Woori Bank had 7,179 ATMs and 106 cash dispensers as of December 31, 2013.

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

	For the year ended December 31,		
	2011	**2012**	**2013**
ATMs[(1)]:			
Number of transactions (millions)	433	389	397
Fee income (billions of Won)	55	44	45
Telephone banking:			
Number of users	6,265,585	6,389,640	6,482,707
Number of transactions (millions)	154	132	106
Fee income (billions of Won)	4	3	3
Internet banking:			
Number of users	10,284,922	11,369,531	12,707,113
Number of transactions (millions)	4,550	5,293	5,603
Fee income (billions of Won)	117	117	120

(1) Includes cash dispensers.

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

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

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

In addition, we provide mobile banking services to our customers, which is available to all our Internet-registered users. These services allow our customers to complete selected banking transactions through major Korean telecommunications networks using their cellular phones or other mobile devices. In April 2010, we launched new smart banking services which enable users of so-called smart phones to access a broad range of banking and credit card services through their mobile phones. The electronic bill presentation and payment system offered by Woori Bank provides customers with the ability to pay taxes, maintenance fees and other public fees electronically.

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

Credit Cards

We offer credit card products and services mainly to consumers and corporate customers in Korea. In April 2013, as a part of our strategy to enhance our credit card operations and increase its synergies with our other businesses, we effected a horizontal spin-off of the credit card business of Woori Bank. As a result, the former credit card business of Woori Bank is operated by a newly established wholly-owned subsidiary of ours, Woori Card. As of December 31, 2013, Woori Card s market share based on transaction volume was approximately 7.6%, which ranked Woori Card as the sixth largest credit card issuer in Korea, according to BC Research, which is a quarterly report issued by BC Card.

Our credit card operations benefit from Woori Card s ownership of a 7.6% equity stake in BC Card. BC Card is co-owned by KT Capital, which is a financial subsidiary of KT Corporation, one of Korea s largest telecommunications companies, as well as a private equity fund and other Korean financial institutions, and operates the largest merchant payment network in Korea as measured by transaction volume. This ownership stake allows us to outsource production and delivery of new credit cards, the preparation of monthly statements, management of merchants and other ancillary services to BC Card for our credit card operations. In October 2011, we sold a 20% equity stake which we previously owned in BC Card to KT Capital for a price of 137 billion.

Products and Services

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

a Woori brand previously offered by Woori Bank and currently offered by Woori Card;

a BC Card brand previously offered by Woori Bank and currently offered by Woori Card; and

a Visa brand currently offered by Woori Card.

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

58

Table of Contents

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

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

- cash advance services from ATMs and bank branches; and

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

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

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

	As of or for the year ended December 31,		
	2011	**2012**	**2013**
	(in billions of Won, unless indicated otherwise)		
Number of credit card holders (at year end) (thousands of holders)			
General accounts	11,374	10,977	10,847
Corporate accounts	393	411	447
Total	11,767	11,388	11,294
Active ratio[1]	56.97%	49.53%	53.40%
Credit card interest and fees			
Installment and cash advance interest	261	218	172
Annual membership fees	11	11	12
Merchant fees	630	643	480
Other fees	129	168	178
Total	1,031	1,040	842
Charge volumes			
General purchase	29,429	33,599	29,227
Installment purchase	4,786	4,784	3,284
Cash advance	5,936	4,732	3,156
Card loan	696	593	848
Total	40,847	43,708	36,515
Outstanding balances (at year end)			
General purchase	2,019	2,112	2,003
Installment purchase	1,014	988	925
Cash advance	776	564	539
Card loan	383	449	750
Total	4,192	4,113	4,217
Average outstanding balances			

General purchase	2,091	2,178	2,166
Installment purchase	1,062	1,078	1,009
Cash advance	805	653	546
Card loan	385	399	599
Total	4,343	4,308	4,320
Delinquency ratios[2]			
Less than 1 month	3.34	3.19	2.44
From 1 month to 3 months	1.10	0.92	0.87
From 3 months to 6 months	1.05	1.03	0.93
Over 6 months	0.03	0.02	0.00
Total	5.52%	5.16%	4.24%
Non-performing loan ratio[3]	1.41%	1.48%	1.32%
Charge-offs (gross)	133	176	160
Recoveries	31	31	23
Net charge-offs	102	145	137
Gross charge-off ratio[4]	3.07%	4.08%	3.71%
Net charge-off ratio[5]	2.35%	3.35%	3.18%

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

(2) Our delinquency ratios may not fully reflect all delinquent amounts relating to our outstanding balances since a certain portion of delinquent credit card balances (defined as balances one day or more past due) were restructured into loans and were not treated as being delinquent at the time of conversion or for a period of time thereafter. Including all restructured loans, outstanding balances overdue by 30 days or more accounted for 1.9% of our credit card receivables as of December 31, 2013.

(3) Represents the ratio of balances that are more than three months overdue to total outstanding balances as of the end of the relevant year. These ratios do not include the following amounts of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary as of December 31, 2011, 2012 and 2013:

	As of December 31,		
	2011	2012	2013
	(in billions of Won)		
Restructured loans	43	59	73

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

(5) Represents the ratio of net charge-offs for the year to average outstanding balances for the year.

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

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

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

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

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

In recent years, credit card issuers in Korea have agreed with selected cardholders to restructure their delinquent credit card account balances as loans that have more gradual repayment terms, in order to retain fundamentally sound customers who are experiencing temporary financial difficulties and to increase the likelihood of eventual recovery on those balances. In line with industry practice, we have restructured a portion of our delinquent credit card account balances as loans. The general qualifications to restructure delinquent credit card balances as loans are that the delinquent amount be more than one month overdue and in excess of 1 million. The terms of the restructured loans usually require the payment of approximately 10% to 20% of the outstanding balance as a down payment and that they be guaranteed by a third party and carry higher interest rates than prevailing market rates. These loans are usually required to be repaid by the borrower in installments over terms ranging from three months to 60 months. As of December 31, 2013, the total amount of our restructured loans was 73 billion (which also included revolving loans and installment loans). Because restructured loans are not initially recorded as being delinquent, our delinquency ratios do not fully reflect all delinquent amounts relating to our outstanding credit card balances.

Payments and Charges

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

Each cardholder is allocated an aggregate credit limit in respect of all cards issued under his or her account and each month. We advise each cardholder of the credit limit relating to the cards in his or her monthly billing statement. Credit limits in respect of card loans are established separately. We conduct ongoing monitoring of all cardholders and accounts, and may reduce the credit limit or cancel an existing cardholder s card based on current economic conditions, receipt of new negative credit data from third party sources or the cardholder s score under the credit risk management systems we use to monitor their behavior, even if the cardholder

continues to make timely payments in respect of his or her cards. We consider an account delinquent if the payment due is not received on the first monthly payment date on which such payment was due, and late fees are immediately applied. Late fee charges and computation of the delinquency period are based on each outstanding unpaid transaction or installment, as applicable. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Credit Risk Management Credit Review and Monitoring.

Payments on amounts outstanding on our credit cards must be made (at the cardholder s election at the time of purchase) either in full on each monthly payment date, in the case of lump-sum purchases, or in equal monthly installments over a fixed term from two months to 36 months, in the case of installment purchases. Cardholders may prepay installment purchases at any time without penalty. Payment for cash advances must be made on a lump sum basis. Payments for card loans must be made on an equal principal installment basis over a fixed term from three months up to a maximum of 24 months, up to a maximum loan amount of 20 million.

No interest is charged on lump-sum purchases that are paid in full by the monthly payment date. For installment purchases, we charge a fixed rate of interest on the outstanding balance of the transaction amount, based on the installment period selected at the time of purchase. For a new cardholder, we currently apply an interest rate between approximately 10.9 and 19.5% per annum as determined by the cardholder s application system score. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Credit Risk Management Credit Evaluation and Approval Credit Card Approval Process and Credit Review and Monitoring Credit Card Review and Monitoring.

For cash advances, finance charges start accruing immediately following the cash withdrawal. We currently charge a periodic finance charge on the outstanding balance of cash advance of approximately 7.8% to 27.4% per annum. The periodic finance charge assessed on such balances is calculated by multiplying the daily installment balances for each day during the billing cycle by the applicable periodic finance charge rate, and aggregating the results for each day in the billing period. In addition to finance charges, cardholders using cash advance networks operated by companies that are not financial institutions (such as Hannet and NICE) are charged a minimum commission of 600 and a maximum of 1,300 per withdrawal.

We also generally charge a basic annual membership fee of 2,000 to 50,000 for regular and gold cards and 30,000 to 1,000,000 for platinum cards. The determination of the annual fee is based on various factors including the type of card, and whether affiliation options are selected by the cardholder. For certain cards, such as the Woori V Card, we will waive membership fees if customers charge above a certain amount.

Commencing in July 2006, we outsourced the management of merchants to BC Card. We charge merchant fees to merchants for processing transactions. Merchant fees vary depending on the type of merchant and the total transaction amounts generated by the merchant. As of December 31, 2013, we charged merchants an average of 1.71% of their respective total transaction amounts. In addition to merchant fees, we receive nominal interchange fees for international card transactions.

Capital Markets Activities

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

Securities Investment and Trading

Through Woori Bank, we invest in and trade securities for our own account, in order to maintain adequate sources of liquidity and to generate interest and dividend income and capital gains. As of December 31, 2013, excluding discontinued operations, our investment portfolio, which consists of held-to-maturity financial assets and available-for-sale financial assets, and our trading portfolio, which consists of financial assets held for trading and financial assets designated at fair value through profit or loss, had a combined total book value of 31,737 billion and represented 9.3% of our total assets.

Our trading and investment portfolios consist primarily of Korean treasury securities and debt securities issued by Korean government agencies, including the KDIC, local governments or government-invested

Table of Contents

enterprises, and debt securities issued by financial institutions. As of December 31, 2013, excluding discontinued operations, we held debt securities with a total book value of 25,900 billion, of which:

- held-to-maturity debt securities accounted for 12,039 billion, or 46.5%;
- available-for-sale debt securities accounted for 11,856 billion, or 45.8%;
- debt securities held for trading accounted for 2,002 billion, or 7.7%; and
- debt securities designated at fair value through profit or loss accounted for 3 billion, or 0.01%.

Of these amounts, as of December 31, 2013, excluding discontinued operations, debt securities issued by the Korean government and government agencies amounted to 4,729 billion, or 39.3% of our held-to-maturity debt securities, 2,681 billion, or 22.6% of our available-for-sale debt securities, and 574 billion, or 28.7% of our trading debt securities.

From time to time, we also purchase and sell equity securities for our securities portfolios. Our equity securities consist primarily of equities listed on the KRX KOSPI Market or the KRX KOSDAQ Market. As of December 31, 2013 (excluding discontinued operations):

- equity securities in our available-for-sale portfolio had a book value of 1,615 billion, or 9.5% of our available-for-sale securities portfolio;
- equity securities held for trading accounted for 196 billion, or 7.5% of our held-for-trading securities portfolio; and
- equity securities designated at fair value through profit or loss accounted for 11 billion, or 80.7% of our financial assets designated at fair value through profit or loss portfolio.

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

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

	As of December 31, 2011			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in billions of Won)			
Available-for-sale financial assets:				
Debt securities				
Korean treasury and government agencies	2,754	34	(1)	2,787
Financial institutions	5,199	12	(1)	5,210
Corporate	4,151	33	(1)	4,183
Asset-backed securities	610		(11)	599
Foreign currency bonds	133			133

Subtotal	12,847	79	(14)	12,912
Equity securities	1,860	917	(25)	2,752
Beneficiary certificates[(2)]	3,720	74	(5)	3,789
Others	219			219
Total available-for-sale financial assets	18,646	1,070	(44)	19,672
Held-to-maturity financial assets:				
Debt securities				
Korean treasury and government agencies	7,235	198	(1)	7,432
Financial institutions	5,859	22	(1)	5,880
Corporate	6,828	74	(4)	6,898
Foreign currency bonds	103			103
Securities loaned	11			11
Total held-to-maturity financial assets	20,036	294	(6)	20,324

	As of December 31, 2012[1]			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in billions of Won)			
Available-for-sale financial assets:				
Debt securities				
Korean treasury and government agencies	2,659	25	(3)	2,681
Financial institutions	6,032	19	(1)	6,050
Corporate	4,289	48	(16)	4,321
Asset-backed securities	401	2	(20)	383
Foreign currency bonds	213	0	(0)	213
Subtotal	13,594	94	(40)	13,648
Equity securities	1,692	525	(32)	2,185
Beneficiary certificates[2]	2,842	15	(3)	2,854
Others	203		(1)	202
Total available-for-sale financial assets	18,331	634	(76)	18,889
Held-to-maturity financial assets:				
Debt securities				
Korean treasury and government agencies	7,665	176	(6)	7,835
Financial institutions	3,621	25	(0)	3,646
Corporate	7,352	136	(3)	7,485
Foreign currency bonds	36			36
Securities loaned	11	0		11
Total held-to-maturity financial assets	18,685	337	(9)	19,013

	As of December 31, 2013[1][3]			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in billions of Won)			
Available-for-sale financial assets:				
Debt securities				
Korean treasury and government agencies	2,690	6	(15)	2,681
Financial institutions	6,509	4	(1)	6,512
Corporate	2,427	12	(5)	2,434
Asset-backed securities	291	7	(25)	273
Foreign currency bonds	230	0	(1)	229
Subtotal	12,147	29	(47)	12,129
Equity securities	1,380	272	(36)	1,616
Beneficiary certificates[2]	3,007	60	(2)	3,065
Others	275	1	(1)	275
Total available-for-sale financial assets	16,809	362	(86)	17,085
Held-to-maturity financial assets:				
Debt securities				
Korean treasury and government agencies	4,729	58	(17)	4,770

Financial institutions	2,156	8	(1)	2,163
Corporate	5,131	65	(6)	5,190
Foreign currency bonds	23			23
Total held-to-maturity financial assets	12,039	131	(24)	12,146

(1) The amounts as of December 31, 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts as of December 31, 2012 (but not as of December 31, 2011) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.

(2) Beneficiary certificates are instruments that are issued by and represent an ownership interest in an investment trust. Investment trusts, which operate like mutual funds in the United States, are managed by investment trust management companies and invest in portfolios of securities and/or other financial instruments, such as certificates of deposit. Beneficiary certificates give the holder beneficial rights to both the relevant investment trust and the trust property in which the investment trust has invested.

(3) The amounts as of December 31, 2013 reflect the classification of certain subsidiaries as discontinued operations.

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

Derivatives Trading

We offer derivatives products and engage in derivatives trading, mostly for our corporate customers, primarily through Woori Bank. Woori Bank s trading volume was 251,601 billion in 2011, 217,756 billion in 2012 and 178,481 billion in 2013. Woori Bank s aggregate net trading revenue (loss) from derivatives for the years ended December 31, 2011, 2012 and 2013 was 114 billion, (369) billion and 171 billion, respectively.

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

- interest rate swaps, options and futures, relating principally to Won interest rate risks;
- index futures and options, relating to stock market fluctuations;
- cross currency swaps, relating to foreign exchange risks, largely for Won against U.S. dollars;
- foreign exchange forwards, swaps, options and futures, relating to foreign exchange risks;
- commodity derivatives, which we provide to customers that wish to hedge their commodities exposure; and
- credit derivatives, which we provide to financial institutions that wish to hedge existing credit exposures or take on credit exposure to generate revenue.

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

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

	As of December 31,					
	2011		2012(1)		2013(1)(2)	
	Estimated Fair Value of Assets	Estimated Fair Value of Liabilities	Estimated Fair Value of Assets	Estimated Fair Value of Liabilities	Estimated Fair Value of Assets	Estimated Fair Value of Liabilities
	(in billions of Won)					
Currency derivatives	2,206	1,690	1,565	1,401	1,119	1,039

Interest rate derivatives	1,553	1,671	1,820	1,894	1,008	1,034
Equity derivatives	96	517	309	81	55	20
Credit derivatives[3]	18	22	28	17		
Commodity derivatives	28	26	18	15	3	3
Total	3,901	3,926	3,740	3,408	2,185	2,096

(1) The amounts as of December 31, 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts as of December 31, 2012 (but

not as of December 31, 2011) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.

(2) The amounts as of December 31, 2013 reflect the classification of certain subsidiaries as discontinued operations.

(3) In connection with our credit derivatives outstanding, we accept credit exposure with respect to foreign currency-denominated corporate debt instruments held by counterparties by guaranteeing payments under such instruments, subject to our overall credit limits with respect to the applicable issuers.

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

Asset Securitization Services

We are active in the Korean asset-backed securities market. Through Woori Bank, we participate in asset securitization transactions in Korea by acting as arranger, trustee or liquidity provider. In 2013, Woori Bank was involved in asset securitization transactions with an initial aggregate issue amount of 1,681 billion and generated total fee income of approximately 29 billion in connection with such transactions. The securities issued in asset securitization transactions are sold mainly to institutional investors buying through Korean securities firms.

Investment Banking

We engage in investment banking activities in Korea through Woori Bank. In addition, we provide project finance and financial advisory services, in the area of social overhead capital projects such as highway, port, power and water and sewage projects, as well as structured finance, leveraged buy-out financing, equity and venture financing and mergers and acquisitions advisory services. In 2013, Woori Bank generated investment banking revenue of approximately 88 billion from gains on investment in foreign bonds and equity securities and fees from advisory and other services.

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

International Banking

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

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

	As of December 31,		
	2011	**2012[(1)]**	**2013[(1)(2)]**
		(in millions of US$)	
Total foreign currency assets	US$ 23,220	US$ 32,083	US$ 30,300
Foreign currency borrowings			
Call money	1,058	306	918
Long-term borrowings	7,657	5,174	4,672
Short-term borrowings	7,438	8,981	7,382
Total foreign currency borrowings	US$ 16,153	US$ 14,461	US$ 12,972

(1) The amounts as of December 31, 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts as of December 31, 2012 (but not as of December 31, 2011) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.

65

Table of Contents

(2) The amounts as of December 31, 2013 reflect the classification of certain subsidiaries as discontinued operations.

The table below sets forth the overseas subsidiaries and branches of Woori Bank in operation as of December 31, 2013:

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

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

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

Woori America Bank currently operates 16 branches in New York, New Jersey, Maryland, Virginia, Pennsylvania and California and provides retail and corporate banking services targeted towards the Korean-American community. Woori America Bank had total assets of US$1,164 million as of December 31, 2013 and net profit of US$26 million in 2013.

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

In January 2014, we completed the purchase of an additional 27% equity interest through Woori Bank (in addition to the 6% equity interest we previously acquired through our indirect subsidiary P.T. Bank Woori Indonesia) in P.T. Bank Himpunan Saudara 1906, an Indonesian commercial bank with a network of over 100 branches and offices throughout Indonesia, for a purchase price of approximately US$51 million. As a result, we became the second largest shareholder of this entity, and we plan to merge it in the future with P.T. Bank Woori

Table of Contents

Indonesia. As of December 31, 2013, P.T. Bank Himpunan Saudara 1906 had total assets of approximately Indonesian Rupiah 8.2 trillion and shareholders equity of Indonesian Rupiah 578 billion.

Asset Management

Trust Management Services

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

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

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

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

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

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

We receive fees for our trust management services that are generally based upon a percentage, ranging between 0.01% and 2.0%, of the net asset value of the assets under management. We also receive penalty payments when customers terminate their trust deposit prior to the original contract maturity. Excluding discontinued operations, fees that we received for trust management services (including those fees related to property trust management services, described below, but excluding those fees relating to guaranteed trusts, which are eliminated in consolidation), net of expenses, amounted to 37 billion in 2011, 31 billion in 2012 and 36 billion in 2013.

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

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

	As of December 31,		
	2011	2012(1)	2013(1)(2)
	(in billions of Won)		
Principal and interest guaranteed trusts	1	1	1
Principal guaranteed trusts	1,419	1,266	1,217
Performance trusts	24,819	30,166	17,381
Total	26,239	31,433	18,599

(1) The amounts as of December 31, 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts as of December 31, 2012 (but not as of December 31, 2011) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.

Table of Contents

(2) The amounts as of December 31, 2013 reflect the classification of certain subsidiaries as discontinued operations.

The trust assets we manage consist principally of investment securities and loans made from the trusts. The investment securities consist of government-related debt securities, corporate debt securities, including bonds and commercial paper, equity securities and other securities. As of December 31, 2013, excluding discontinued operations, our money trusts had invested in securities with an aggregate book value of 2,829 billion, which accounted for approximately 14.91% of our money trust assets. Debt securities accounted for 2,008 billion of this amount.

Our money trusts also invest, to a lesser extent, in equity securities, including beneficiary certificates issued by investment trust management companies. As of December 31, 2013, excluding discontinued operations, equity securities held by our money trusts amounted to 821 billion, which accounted for approximately 4.41% of our money trust assets. Of this amount, 393 billion was from money trusts over which we had investment discretion and the remainder was from specified money trusts.

Loans made by our money trusts are similar in type to the loans made by our banking operations. As of December 31, 2013, excluding discontinued operations, our money trusts had made loans in the aggregate principal amount of 3,678 billion (excluding loans to our banking operations of 3,123 billion), which accounted for approximately 19.38% of our money trust assets.

If the income from a money trust for which we provide a guarantee is less than the amount of the payments we have guaranteed, we will need to pay the amount of the shortfall with funds from special reserves maintained in our trust accounts, followed by basic fees from that money trust and funds from our banking operations. We net any payments we make as a result of these shortfalls against any gains we receive from other money trusts. No material payments of any such shortfall amounts were made in 2013.

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

In 2013, our property trust fees generally ranged from 0.005% to 0.18% of total assets under management, depending on the type of trust account product. As of December 31, 2013, excluding discontinued operations, the balance of our property trusts totaled 10,411 billion.

Property trusts are not consolidated within our financial statements.

Trustee and Custodian Services Relating to Securities Investment Trusts

Through Woori Bank, we act as a trustee for approximately 1,221 securities investment trusts, mutual funds and other investment funds. We receive a fee for acting as a trustee and generally perform the following functions:

- receiving payments made in respect of such securities;
- executing trades in respect of such securities on behalf of the investment fund, based on instructions from the relevant investment fund management company; and
- in certain cases, authenticating beneficiary certificates issued by investment trust management companies and handling settlements in respect of such beneficiary certificates.

For the year ended December 31, 2013, Woori Bank s fee income from such services was 8 billion.

Other Businesses

Management of National Housing Fund

In April 2008, we were selected to be the lead manager of the National Housing Fund. The National Housing Fund provides financial support to low-income households in Korea by providing mortgage financing

and construction loans for projects to build small- and medium-sized housing. As of December 31, 2013, outstanding housing loans from the National Housing Fund amounted to approximately 81 trillion, of which we originated approximately 47 trillion (excluding discontinued operations). The activities of the National Housing Fund are funded primarily by the issuance of national housing bonds, which must be purchased by persons and legal entities wishing to make real estate-related registrations and filings, and by subscription savings deposits held at the National Housing Fund.

In return for managing the operations of the National Housing Fund we receive a monthly fee. This fee consists of a fund raising fee, a loan origination fee and a management fee. The fund raising fee is based on the number of National Housing Fund subscription savings deposit accounts opened and the level of activity for existing accounts and the number of National Housing Fund bonds issued or redeemed. The loan origination fee is based on the number of new National Housing Fund loans and the number of National Housing Fund mortgage loans to contractors constructing housing units that are assumed by the individual buyers of housing units and the level of activity for existing loans during each month. The management fee is based on the monthly average of the number of outstanding accounts and the monthly average of the number of overdue loans owed to the National Housing Fund. We received total fees of approximately 106 billion (excluding discontinued operations) for managing the National Housing Fund in 2013.

Bancassurance

The term bancassurance refers to the marketing and sale by commercial banks of insurance products manufactured within a group of affiliated companies or by third-party insurance companies. Through Woori Bank, we market a wide range of bancassurance products. In 2013, Woori Bank generated fee income of approximately 93 billion through the marketing of bancassurance products. We believe that we will be able to continue to develop an important new source of fee-based revenues by expanding our offering of these products. Woori Bank has entered into bancassurance marketing arrangements with 26 insurance companies, including Samsung Life Insurance, Samsung Fire and Marine Insurance, Hanwha Life Insurance, Hyundai Fire and Marine Insurance and American International Assurance, and plans to enter into additional insurance product marketing arrangements with other leading insurance companies whose names and reputation are likely to be familiar to our customer base.

Private Equity

In October 2005, we established Woori Private Equity Co., Ltd. with the aim of strengthening our principal investment operations. Woori Private Equity seeks to make long-term and strategic investments in buyout target companies, as well as actively involving itself in their management. This involves identifying potential investees suffering from inefficient management and effecting financial restructuring and strategic reorientation in those investees so as to enhance their enterprise value. We expect Woori Private Equity s operations to continue to provide us with greater investment opportunities and a new source of business for other related segments, especially corporate banking. In July 2006, Woori Private Equity established Woori Private Equity Fund, the size of which is approximately 344 billion, as a limited partnership in which Woori Private Equity serves as a general partner. In December 2009, Woori Private Equity established Woori Blackstone Korea Opportunity Private Equity Fund I, the size of which is approximately 606 billion, as a limited partnership in which Woori Private Equity serves as a general partner. In December 2012, Woori Private Equity established Woori Columbus Private Equity Fund I, the size of which is approximately 61 billion, as a limited partnership in which it serves as the general partner.

Competition

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

Table of Contents

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

In addition, we believe regulatory reforms and the general modernization of business practices in Korea will lead to increased competition among financial institutions in Korea. We also believe that foreign financial institutions, many of which have greater experience and resources than we do, will seek to compete with us in providing financial products and services either by themselves or in partnership with existing Korean financial institutions. Furthermore, a number of significant mergers and acquisitions in the industry have taken place in Korea over the past decade, including the acquisition of Koram Bank by an affiliate of Citibank in 2004, the acquisition of Korea First Bank by Standard Chartered Bank in April 2005, Chohung Bank s merger with Shinhan Bank in April 2006 and Hana Financial Group s acquisition of a controlling interest in Korea Exchange Bank in February 2012. We expect that consolidation in the financial industry will continue, including as a result of the implementation of the Korean government s privatization plan with respect to us and our subsidiaries. Other financial institutions may seek to acquire or merge with other entities, and the financial institutions resulting from this consolidation may, by virtue of their increased size and business scope, provide significantly greater competition for us. See Item 3D. Risk Factors Risks relating to competition.

Assets and Liabilities

The tables below and accompanying discussions provide selected financial highlights regarding our assets and liabilities on a consolidated basis. Except as otherwise indicated, (i) amounts as of and for the years ended December 31, 2010, 2011, 2012 and 2013 are presented on a consolidated basis under IFRS, and (ii) amounts as of and for the year ended December 31, 2009 are presented on a consolidated basis under U.S. GAAP and are not comparable to information prepared in accordance with IFRS.

The Korean government, which currently owns 56.97% of our outstanding common stock through the KDIC, is in the process of implementing a privatization plan with respect to us and our subsidiaries. See Item 4A. History and Development of the Company Privatization Plan. In light of their planned dispositions under the privatization plan, Kwangju Bank, Kyongnam Bank, Woori Investment & Securities, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I have been classified as a disposal group held for distribution or sale, and their operations have been accounted for as discontinued operations. Unless expressly stated otherwise, the financial information as of December 31, 2013 and for the years ended December 31, 2011, 2012 and 2013 set forth below does not include financial data with respect to such discontinued operations, while the financial information as of December 31, 2009, 2010, 2011 and 2012 and for the years ended December 31, 2009 and 2010 set forth below includes financial data with respect to such discontinued operations.

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

Loan Portfolio

As of December 31, 2013, excluding discontinued operations, the balance of our total loan portfolio was 193,766 billion. As of December 31, 2013, excluding discontinued operations, 86.6% of our total loans were

Table of Contents

Won-denominated loans and 13.4% of our total loans were denominated in other currencies. Of the 25,983 billion of foreign currency-denominated loans as of that date, approximately 29.8% represented foreign loans provided by Woori Bank to offshore entities and individuals. Woori Bank makes foreign loans primarily through its overseas branches to affiliates of large Korean manufacturing companies for trade financing and working capital.

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

Loan Types

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

	As of December 31,			
	2010	2011	2012(1)	2013(1)(2)
	(in billions of Won)			
Domestic:				
Corporate(3):				
Commercial and industrial	98,195	101,738	105,048	91,058
Lease financing	653	700	698	
Trade financing	11,332	13,171	11,982	10,296
Other commercial	12,558	10,927	13,263	9,690
Total corporate	122,738	126,536	130,991	111,044
Consumer:				
General purpose household	32,992	32,709	31,725	25,094
Mortgage	6,375	12,138	16,409	19,952
Home equity	26,645	27,940	30,424	25,732
Total consumer	66,012	72,787	78,558	70,778
Credit cards	4,357	4,592	4,505	4,209
Total domestic	193,107	203,915	214,054	186,031
Foreign:				
Corporate(4):				
Commercial and industrial	7,185	8,013	6,058	6,961
Trade financing	129	165	141	319
Other commercial	69	272	522	192
Total corporate	7,383	8,450	6,721	7,472
Consumer	745	127	253	263
Total foreign	8,128	8,577	6,974	7,735
Total gross loans	201,235	212,492	221,028	193,766
Total loans(5)	201,235	212,492	221,028	193,766
Less: present value discount	(16)	(31)	(25)	(25)
Less: deferred origination costs (fees)	74	178	258	295
Less: allowance for credit losses	(4,718)	(3,759)	(3,565)	(3,337)
Total loans, net	196,575	208,880	217,696	190,699

(1) The amounts as of December 31, 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts as of December 31, 2012 (but not as of December 31, 2011 or 2010) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.

Table of Contents

(2) The amounts as of December 31, 2013 reflect the classification of certain subsidiaries as discontinued operations.
(3) Including loans made to banks and the Korean government and government-owned agencies.
(4) Including loans made to banks.
(5) Not including due from banks and other receivables.

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

	As of December 31, 2009 (in billions of Won)
Domestic:	
Corporate:	
Commercial and industrial	96,484
Lease financing	578
Trade financing	10,321
Other commercial	6,602
Total corporate	113,985
Consumer:	
General purpose household[1]	58,127
Mortgage	3,807
Total consumer	61,934
Credit cards	4,098
Total domestic	180,017
Foreign:	
Corporate:	
Commercial and industrial	7,393
Trade financing	92
Total corporate	7,485
Consumer	115
Total foreign	7,600
Total gross loans	187,617
Less: Unearned income	(98)
Total loans	187,519

(1) Includes home equity loans.

Loan Concentrations

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

Table of Contents

20 Largest Exposures by Borrower

As of December 31, 2013, excluding discontinued operations, our exposures to our 20 largest borrowers or issuers totaled 37,963 billion and accounted for 11.3% of our total exposures. The following table sets forth our total exposures to those borrowers or issuers as of that date:

	Loans							
Company (Credit Rating)[1]	Won currency	Foreign currency	Equity securities	Debt securities	Guarantees and acceptances	Total exposures	Collateral[2]	Amounts Classified as substandard or below[3]
				(in billions of Won)				
Korean Government[4]				7,984		7,984		
The Bank of Korea (AAA)	2,790			5,111		7,901		
Korea Land Housing Corporation (AAA)	2,451			1,590		4,041		
Hyundai Heavy Industries (AA+)		107	2		1,881	1,990		
Samsung Heavy Industries (AAA)	350			10	1,481	1,841		
Korea Finance Corporation (AAA)				1,542		1,542		
NH Bank (AAA)	1,506					1,506		
Industrial Bank of Korea (AAA)	683	5		742		1,430		
Korea Development Bank (AAA)				1,300		1,300		
Kookmin Bank (AAA)	1,131			120		1,251	308	
SPP Shipbuilding (B-)	229	41			665	935	297	726
Korea Deposit Insurance Corporation (AAA)				872		872		
Small and Medium Business Corporation (AAA)				793		793		
Hana Bank (AAA)	688			84	11	783		
Hyundai Securities Co. (AA)	714					714		
Daewoo International (AA-)		318			309	627		
Hyundai Steel Company (AA)	474	98		10	45	627		
Samsung Electronics (A)	21	603	3			627		
Daewoo Shipping & Marine (AA-)	1	241			372	614		
Doosan Infracore (A)	174	322			89	585	15	
Total	11,212	1,735	5	20,158	4,853	37,963	620	726

(1) Credit ratings from one of the following domestic credit rating agencies in Korea as of December 31, 2013: Korea Information Service Inc., National Information & Credit Evaluation, Inc., or Korea Ratings.
(2) The value of collateral is appraised based on future cash flow and observable market price.
(3) Classification is based on the Financial Services Commission s asset classification criteria.
(4) Credit rating is unavailable.

As of December 31, 2013, seven of these top 20 borrowers or issuers were companies belonging to the 30 largest *chaebols* in Korea. See Item 3D. Risk Factors Risks relating to our corporate credit portfolio We have exposure to the largest Korean commercial conglomerates, known as *chaebols*, and, as a result, financial difficulties of *chaebols* may have an adverse impact on us.

Table of Contents

Exposure to Chaebols

As of December 31, 2013, excluding discontinued operations, 7.5% of our total exposure was to the 30 largest *chaebols* in Korea. The following table shows, as of December 31, 2013, our total exposures (excluding discontinued operations) to the ten *chaebol* groups to which we have the largest exposure:

Chaebol	Loans: Won currency	Loans: Foreign currency	Equity securities	Debt securities	Guarantees and acceptances	Total exposures	Collateral(1)	Amounts Classified as substandard or below(2)
	(in billions of Won)							
Samsung	938	1,022	35	110	1,884	3,989	82	
Hyundai Heavy Industries	305	266	2		2,446	3,019		
Hyundai Motors	1,202	772	42	70	603	2,689	36	
Hanwha	761	155	7		218	1,141	199	1
Doosan	627	46	1	11	420	1,105	10	
LG	536	369	7	2	127	1,041	8	
Hyosung	521	342	1		145	1,009	167	67
Hanjin	397	190	1	33	331	952	470	
Kumho Asiana Group	447	332	19		100	898	167	
Hyundai	769	42	3			814		
Total	6,503	3,536	118	226	6,274	16,657	1,139	68

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

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

Loan Concentration by Industry

The following table shows, as of December 31, 2013, the aggregate balance of our domestic and foreign corporate loans (excluding discontinued operations) by industry concentration and as a percentage of our total corporate lending:

	Aggregate corporate loan balance	Percentage of total corporate loan balance
	(in billions of Won)	
Industry		
Manufacturing	37,624	31.8%
Retail and wholesale	14,855	12.5
Financial and insurance	16,200	13.7
Construction	6,809	5.7
Hotel, leisure or transportation	5,974	5.0
Government and government agencies	424	0.4
Other	36,630	30.9
Total	118,516	100.0%

74

Table of Contents

Maturity Analysis

The following table sets out, as of December 31, 2013, the scheduled maturities (time remaining until maturity) of our loan portfolio (excluding discontinued operations). The amounts disclosed in the following table are before deduction of allowance for credit losses and present value discount and do not reflect deferred origination costs:

	1 year or less	Over 1 year but not more than 5 years	Over 5 years	Total
	(in billions of Won)			
Domestic				
Corporate[1]				
Commercial and industrial	65,362	19,580	6,116	91,058
Lease financing				
Trade financing	10,259	38		10,297
Other commercial	7,878	989	822	9,689
Total corporate	83,499	20,607	6,938	111,044
Consumer				
General purpose household	14,598	4,309	6,187	25,094
Mortgage	5,865	3,657	16,210	25,732
Home equity	3,530	4,030	12,392	19,952
Total consumer	23,993	11,996	34,789	70,778
Credit cards	3,861	348		4,209
Total domestic	111,353	32,951	41,727	186,031
Foreign				
Corporate[2]				
Commercial and industrial	5,198	1,005	758	6,961
Lease financing				
Trade financing	319			319
Other commercial	141	51		192
Total corporate	5,658	1,056	758	7,472
Consumer:				
Other consumer	20	18	225	263
Total foreign	5,678	1,074	983	7,735
Total loans	117,031	34,025	42,710	193,766

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

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

Table of Contents

Interest Rates

The following table shows, as of December 31, 2013, the total amount of our loans due after one year (excluding discontinued operations) that have fixed interest rates and variable or adjustable interest rates:

	Domestic	Foreign (in billions of Won)	Total
Fixed rate[1]	31,985	1,094	33,079
Variable or adjustable rates[2]	42,693	963	43,656
Total loans	74,678	2,057	76,735

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

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

Asset Quality of Loans

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

Loan Classifications

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

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

Asset Classification	Characteristics
Normal	Credits extended to customers that, based on our consideration of their business, financial position and future cash flows, do not raise concerns regarding their ability to repay the credits.
Precautionary	Credits extended to customers that: based on our consideration of their business, financial position and future cash flows, show potential risks with respect to their ability to repay the credits, although showing no immediate default risk; or

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

Table of Contents

Asset Classification	Characteristics
Substandard	Either: credits extended to customers that, based on our consideration of their business, financial position and future cash flows, are judged to have incurred considerable default risks as their ability to repay has deteriorated; or the portion that we expect to collect of total loans (1) extended to customers that have been in arrears for three months or more, (2) extended to customers that have incurred serious default risks due to the occurrence of, among other things, final refusal to pay their debt instruments, entry into liquidation or bankruptcy proceedings, or closure of their businesses, or (3) extended to customers who have outstanding loans that are classified as doubtful or estimated loss.
Doubtful	Credits exceeding the amount we expect to collect of total credits to customers that: based on our consideration of their business, financial position and future cash flows, have incurred serious default risks due to noticeable deterioration in their ability to repay; or have been in arrears for three months or more but less than twelve months.
Estimated Loss	Credits exceeding the amount we expect to collect of total credits to customers that: based on our consideration of their business, financial position and future cash flows, are judged to have to be accounted as a loss as the inability to repay became certain due to serious deterioration in their ability to repay; have been in arrears for twelve months or more; or have incurred serious risks of default in repayment due to the occurrence of, among other things, final refusal to pay their debt instruments, liquidation or bankruptcy proceedings or closure of their business.

Loan Loss Provisioning Policy

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

The value and timing of future cash flow receipts are based on available estimates in conjunction with facts available at the time of review and reassessed on a periodic basis as new information becomes available.

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

If additions or changes to the allowance for credit losses are required, then we record provisions for credit loss, which are included in impairment losses on credit loss and treated as charges against current income. Credit exposures that we deem to be uncollectible, including actual loan losses, net of recoveries of previously charged-off amounts, are charged directly against the allowance for credit losses. See Item 5A. Operating Results Critical Accounting Policies Impairment of Loans and Allowance for Credit Losses.

We also consider the following loans to be impaired loans:

- loans that are past due by 90 days or more;
- loans that are subject to legal proceedings related to collection;
- loans to a borrower that has received a warning from the Korea Federation of Banks indicating that such borrower has exhibited difficulties in making timely payments of principal and interest;
- loans to corporate borrowers that are rated D according to our internal credit ratings;
- restructured loans; and
- individually significant loans classified as precautionary based on the asset classification criteria of the Financial Services Commission, where the borrower is subject to complete capital impairment or has received an adverse audit opinion or disclaimer of opinion on its financial statements.

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

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

(1) Applicable for credit card receivables for general purchases of products or services.
(2) Applicable for cash advances, card loans and revolving loan receivables.

Under U.S. GAAP, we established our allowance for loan losses for corporate loans based on whether a particular loan was identified as impaired or not, using an incurred loss model (as we used a 12 month finite emergence period corroborated by historical data regarding such corporate loan portfolio). Once we identified a loan as impaired under U.S. GAAP, we generally measured the value of the loan based on the present value of expected future cash flows discounted at the loan s effective interest rate or, as a practical expedient, at the loan s observable market price or the fair value of the collateral if the loan was collateral dependent. If the measured value was less than the book value of the loan, we established a specific allowance for the amount deemed uncollectible. Where the entire impaired loan or a portion of the impaired loan was secured by collateral or a guarantee, we considered the fair value of the collateral or the guarantee payment in establishing the level of the allowance. Alternatively, for impaired loans that were considered collateral dependent, we determined the amount of impairment by reference to the fair value of the collateral. In addition, for certain foreign corporate loans that were considered impaired, we determined the fair value by reference to observable market prices, when available.

Under U.S. GAAP, we also established allowances for losses for corporate loans that had not been individually identified as impaired, consumer loans and credit card balances. These allowances were based on the level of our incurred loss, which reflected default probability and loss severity. We established the incurred loss related to corporate loans that we did not deem to be impaired based on historical loss experience, which depended on the internal credit rating of the borrower, characteristics of the lending product and relevant collateral. We established the incurred loss related to consumer loans and credit card balances based on historical loss experience generally for a period of one year, which depended on delinquency and collateral.

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

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

Problem Loans and Past Due Accruing Loans

We do not identify or segregate non-accrual loans as a conceptual matter in our financial statements prepared in accordance with IFRS as issued by the IASB, as we continue to accrue interest on all impaired loans based on the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss in accordance with the requirements of paragraph AG93 of *IAS 39, Financial Instruments: Recognition and Measurement*. However, we continue to monitor and manage our problem loans in a similar manner as we did with respect to non-accrual loans under U.S. GAAP. We generally place loans on problem loan status when payments of interest and/or principal become past due by 90 days. In addition, the following types of loans are classified as problem loans by us even if such loans are not past due:

- Loans to creditors with dishonored notes or checks;
- Loans for which interest payments are reduced or postponed (e.g., through work-out procedures or debt restructurings); and
- Loans to creditors included in the watch list maintained by the Korea Federation of Banks.

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

Foregone interest is the portion of the contractual interest due on problem loans that we have not accrued in our books. If we had not foregone interest on our problem loans, excluding discontinued operations, we would have recorded gross interest income of 89 billion, 151 billion and 150 billion, for 2011, 2012 and 2013, respectively, on loans accounted for as problem loans throughout the year, or since origination for loans held for part of the year. The actual amount of interest income on those loans included in our net income for 2011, 2012 and 2013, excluding discontinued operations, was 73 billion, 38 billion and 56 billion, respectively.

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

79

Table of Contents

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

	As of December 31,											
	2010			2011			2012			2013[1]		
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total
	(in billions of Won)											
Loans classified as problem loans[2]												
Corporate[3]	2,831	19	2,850	2,580	132	2,712	3,002	22	3,024	2,167	23	2,190
Consumer[4]	1,081		1,081	417		417	587	1	588	352		352
Sub-total	3,912	19	3,931	2,997	132	3,129	3,589	23	3,612	2,519	23	2,542
Accruing loans which are contractually past due 90 days or more as to principal or interest[2]												
Corporate[3]	184	3	187	26	10	36	11		11			
Consumer	24		24	5		5	4		4			
Sub-total	208	3	211	31	10	41	15		15			
Total	4,120	22	4,142	3,028	142	3,170	3,604	23	3,627	2,519	23	2,542

(1) The amounts as of December 31, 2013 reflect the classification of certain subsidiaries as discontinued operations.
(2) Not including due from banks and other receivables, and prior to deducting allowance for credit losses and present value discount or reflecting deferred origination costs.
(3) Including loans made to banks and the Korean government and government-owned agencies.
(4) Includes credit card balances of 1 billion, 23 billion, 19 billion and 18 billion as of December 31, 2010, 2011, 2012 and 2013, respectively.

Under U.S. GAAP, we generally placed loans on non-accrual status when payments of interest and/or principal became past due by one day. For the year ended December 31, 2009, we would have recorded gross interest income of 254 billion on loans accounted for on a non-accrual basis under U.S. GAAP in accordance with the foregoing throughout the year, or since origination for loans held for part of the year, had we not foregone interest on those loans. Under U.S. GAAP, the amount of interest income on those loans that was included in our net income for the year ended December 31, 2009 was 136 billion.

The following table shows, as of the dates indicated, the amount of loans that were placed on a non-accrual basis and accruing loans under U.S. GAAP which were past due one day or more:

	As of December 31, 2009		
	Domestic	Foreign	Total
	(in billions of Won)		
Loans accounted for on a non-accrual basis			
Corporate	2,298	42	2,340
Consumer[1]	1,263		1,263
Sub-total	3,561	42	3,603
Accruing loans which are contractually past due one day or more as to principal or interest[2]			
Corporate	98	11	109
Consumer	26		26
Sub-total	124	11	135

Total	3,685	53	3,738

(1) Includes credit card balance of 105 billion as of December 31, 2009.
(2) Includes accruing loans that are contractually past due 90 days or more in the amount of 2 billion as of December 31, 2009.

Loan Aging Schedule

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

	As of December 31, 2013[1][2]											
	Normal		Past due by 1 month or less		Past due by 1-3 months		Past due by 3-6 months		Past due by more than 6 months		Total	
	(in billions of Won, except percentages)											
	Amount	%	Amount past due	%	Amount past due	%	Amount past due	%	Amount past due	%	Amount past due	%
Domestic												
Corporate[3]												
Commercial and industrial	89,562	46.2%	299	0.2%	293	0.2%	231	0.2%	673	0.3%	91,058	47.0%
Lease financing		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
Trade financing	10,239	5.3%	12	0.0%	13	0.0%	11	0.0%	21	0.0%	10,296	5.3%
Other commercial	9,481	4.9%	27	0.0%	76	0.0%	69	0.0%	37	0.0%	9,690	4.9%
Total corporate	109,282	56.4%	338	0.2%	382	0.2%	311	0.2%	731	0.3%	111,044	57.3%
Consumer												
General purpose household	24,570	12.7%	244	0.1%	54	0.0%	81	0.0%	145	0.1%	25,094	12.9%
Mortgages	19,759	10.2%	123	0.1%	20	0.0%	28	0.0%	22	0.0%	19,952	10.3%
Home equity	25,193	13.0%	251	0.2%	56	0.0%	83	0.0%	149	0.1%	25,732	13.2%
Total consumer	69,522	35.9%	618	0.4%	130	0.1%	192	0.1%	316	0.2%	70,778	36.6%
Credit cards	4,030	2.1%	103	0.1%	36	0.1%	40	0.0%		0.0%	4,209	2.2%
Total domestic	182,834	94.4%	1.059	0.5%	548	0.3%	543	0.3%	1,047	0.5%	186,031	96.0%
Foreign												
Corporate[4]												
Commercial and industrial	6,918	3.6%	6	0.0%	16	0.0%	15	0.0%	6	0.0%	6,961	3.6%
Lease financing		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
Trade financing	319	0.2%		0.0%		0.0%		0.0%		0.0%	319	0.2%
Other commercial	192	0.1%		0.0%		0.0%		0.0%		0.0%	192	0.1%
Total corporate	7,429	3.9%	6	0.0%	16	0.0%	15	0.0%	6	0.0%	7,472	3.9%
Consumer	259	0.1%	1	0.0%		0.0%	1	0.0%	2	0.0%	263	0.1%
Total foreign	7,688	4.0%	7	0.0%	16	0.0%	16	0.0%	8	0.0%	7,735	4.0%
Total loans[5]	190,522	98.3%	1,066	0.6%	564	0.3%	559	0.3%	1,055	0.5%	193,766	100.0%

(1) The amounts as of December 31, 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. See Item 5A. Operating Results Overview Changes in Accounting Policies.

(2) The amounts as of December 31, 2013 reflect the classification of certain subsidiaries as discontinued operations.

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

(4) Including loans made to banks.

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

Table of Contents

	As of December 31, 2012[1]											
	Normal		Past due by 1 month or less		Past due by 1-3 months		Past due by 3-6 months		Past due by more than 6 months		Total	
	(in billions of Won, except percentages)											
	Amount	%	Amount past due	%	Amount past due	%	Amount past due	%	Amount past due	%	Amount past due	%
Domestic												
Corporate[2]												
Commercial and industrial	102,912	46.6%	434	0.2%	571	0.3%	458	0.2%	673	0.3%	105,048	47.6%
Lease financing	675	0.3%	14	0.0%	3	0.0%	3	0.0%	3	0.0%	698	0.3%
Trade financing	11,862	5.4%	19	0.0%	36	0.0%	27	0.0%	38	0.0%	11,982	5.4%
Other commercial	11,761	5.3%	18	0.0%	98	0.0%	87	0.0%	1,300	0.6%	13,264	6.0%
Total corporate	127,210	57.6%	485	0.2%	708	0.3%	575	0.3%	2,014	0.9%	130,992	59.3%
Consumer												
General purpose household	31,048	14.0%	399	0.2%	83	0.0%	74	0.0%	120	0.1%	31,724	14.3%
Mortgages	16,219	7.3%	137	0.1%	19	0.0%	17	0.0%	17	0.0%	16,409	7.4%
Home equity	29,839	13.6%	359	0.2%	66	0.0%	57	0.0%	103	0.0%	30,424	13.7%
Total consumer	77,106	34.9%	895	0.4%	168	0.1%	148	0.1%	240	0.1%	78,557	35.4%
Credit cards	4,282	1.9%	135	0.1%	41	0.0%	45	0.0%	2	0.0%	4,505	2.0%
Total domestic	208,598	94.4%	1,515	0.7%	917	0.4%	768	0.3%	2,256	1.0%	214,054	96.8%
Foreign												
Corporate[3]												
Commercial and industrial	6,030	2.7%	2	0.0%	5	0.0%	4	0.0%	16	0.0%	6,057	2.7%
Lease financing		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
Trade financing	141	0.1%		0.0%		0.0%		0.0%		0.0%	141	0.1%
Other commercial	505	0.2%		0.0%		0.0%		0.0%	18	0.0%	523	0.2%
Total corporate	6,676	3.0%	2	0.0%	5	0.0%	4	0.0%	34	0.0%	6,721	3.0%
Consumer	251	0.1%	0	0.0%	0	0.0%	0	0.0%	2	0.0%	253	0.2%
Total foreign	6,927	3.1%	2	0.0%	5	0.0%	4	0.0%	36	0.0%	6,974	3.2%
Total loans[4]	215,525	97.5%	1,517	0.7%	922	0.4%	772	0.3%	2,292	1.0%	221,028	100.0%

(1) The amounts as of December 31, 2012 have been restated to retroactively reflect a change in our accounting policies pursuant to IFRS 10, Consolidated Financial Statements. See Item 5A. Operating Results Overview Changes in Accounting Policies.

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

(3) Including loans made to banks.

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

Table of Contents

	As of December 31, 2011											
	Normal		Past due by 1 month or less		Past due by 1-3 months		Past due by 3-6 months		Past due by more than 6 months		Total	
	(in billions of Won, except percentages)											
	Amount	%	Amount past due	%	Amount past due	%	Amount past due	%	Amount past due	%	Amount past due	%
Domestic												
Corporate[1]												
Commercial and industrial	100,069	47.1%	352	0.2%	426	0.2%	232	0.1%	659	0.3%	101,738	47.9%
Lease financing	662	0.3%	16	0.0%	5	0.0%	6	0.0%	11	0.0%	700	0.3%
Trade financing	13,102	6.2%	23	0.0%	27	0.0%	6	0.0%	11	0.0%	13,171	6.2%
Other commercial	9,860	4.7%	25	0.0%	31	0.0%	8	0.0%	1,003	0.5%	10,927	5.1%
Total corporate	123,693	58.2%	416	0.2%	489	0.2%	254	0.1%	1,684	0.8%	126,536	59.5%
Consumer												
General purpose household	32,048	15.1%	391	0.2%	74	0.0%	61	0.0%	135	0.1%	32,709	15.4%
Mortgages	12,016	5.7%	93	0.0%	8	0.0%	7	0.0%	14	0.0%	12,138	5.7%
Home equity	27,399	12.9%	346	0.2%	54	0.0%	42	0.0%	99	0.0%	27,940	13.1%
Total consumer	71,463	33.6%	830	0.4%	136	0.1%	110	0.1%	248	0.1%	72,787	34.3%
Credit cards	4,329	2.0%	146	0.1%	48	0.0%	47	0.0%	2	0.0%	4,592	2.1%
Total domestic	199,485	93.9%	1,392	0.7%	673	0.3%	411	0.2%	1,934	0.9%	203,915	96.0%
Foreign												
Corporate[2]												
Commercial and industrial	7,919	3.7%	5	0.0%	14	0.0%	58	0.0%	17	0.0%	8.013	3.7%
Lease financing		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
Trade financing	165	0.1%		0.0%		0.0%		0.0%		0.0%	165	0.1%
Other commercial	272	0.1%		0.0%		0.0%		0.0%		0.0%	272	0.1%
Total corporate	8,356	3.9%	5	0.0%	14	0.0%	58	0.0%	17	0.0%	8,450	3.9%
Consumer	124	0.1%	1	0.0%		0.0%		0.0%	2	0.0%	127	0.1%
Total foreign	8,480	4.0%	6	0.0%	14	0.0%	58	0.0%	19	0.0%	8,577	4.0%
Total loans[3]	207,965	97.9%	1,398	0.7%	687	0.3%	469	0.2%	1,953	0.9%	212,492	100.0%

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

Credit Exposures to Companies in Workout, Restructuring or Rehabilitation

Workout is a voluntary procedure through which we, together with the borrower and other creditors, restructure a borrower s credit terms. Previously, workouts were regulated under the prior Corporate Restructuring Promotion Act. In December 2013, the National Assembly of Korea adopted a new Corporate Restructuring Promotion Act, or the New Corporate Restructuring Promotion Act, which became effective on January 1, 2014. Workouts that had been initiated under the Corporate Restructuring Promotion Act are also governed by the New Corporate Restructuring Promotion Act effective from January 1, 2014. Under the New Corporate Restructuring Promotion Act, which is similar to the Corporate Restructuring Promotion Act, all creditor financial institutions of a financially troubled borrower are required to participate in a creditors committee which is authorized to prohibit such creditor financial institutions from exercising their rights against the borrower, commencing workout procedures or approving a reorganization plan prepared by the borrower. Any decision of the creditors committee requires the approval of creditor financial institutions holding interests as creditor in 75% or more of the total debt outstanding of a borrower. An additional approval of creditor financial institutions holding interests as creditor in 75% or more of the secured debt is required with respect to the borrower s debt restructuring. Once approved, any decision made by the creditors committee is binding on all the creditor financial institutions of the borrower. Creditor financial institutions that voted against commencement of workout, debt restructuring or granting of new credit have the right to request the creditor financial institutions that voted in favor of such matters to purchase their claims at a mutually agreed price. In the event that the parties are not able to agree on the terms of purchase, a coordination committee consisting of experts would determine the terms. The creditor financial institutions that oppose a decision made by the coordination committee may request a court to change such decision. The New Corporate Restructuring Promotion Act is scheduled to expire on December 31, 2015.

Table of Contents

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

A portion of our loans to and debt securities of corporate customers are currently in workout, restructuring or rehabilitation. As of December 31, 2013, excluding discontinued operations, 2,202 billion, or 1.0%, of our total loans and debt securities were in workout, restructuring or rehabilitation. This included 1,530 billion of loans to and debt securities of large corporate borrowers in workout, restructuring or rehabilitation and 151 billion of loans to and debt securities of small- and medium-sized enterprises in workout, restructuring or rehabilitation, which represented 0.7% and 0.1% of our total loans and debt securities, respectively. At Woori Bank, the Corporate Restoration Department manages its workout, restructured and rehabilitated loans. Upon approval of a workout, restructuring or rehabilitation plan, a credit exposure is initially classified as precautionary or lower and thereafter cannot be classified higher than precautionary with limited exceptions. If a corporate borrower is in workout, restructuring or rehabilitation, we take the status of the borrower into account in valuing our loans to and collateral from that borrower for purposes of establishing our allowance for credit losses.

The following table shows, as of December 31, 2013, our ten largest exposures (excluding discontinued operations) that were in workout, restructuring or rehabilitation:

	Loans								
Company (Credit Rating)[1]	**Won Currency**	**Foreign Currency**	**Equity Securities**	**Debt Securities**	**Guarantees and Acceptances**	**Total Exposures**	**Collateral[2]**	**Amounts Classified as Substandard or Below[3]**	**Allowance for Credit Loss**
					(in billions of Won)				
Kumho Tire (B+)	101	256			13	370	189		34
Kumho Industrial (B+)	150		60		69	279	163		29
SsangYong Engineering & Construction Co., Ltd (D)	157				58	215		186	170
Orient ship Yard (D)					104	104		104	14
Dongmoon Construction Co. Ltd. (D)	75					75	43	31	12
Jeil Construction Co. Ltd. (D)	74					74	30	44	5
Dongja Project Finance (D)	73					73		73	43
Hankook Silicon Co., Ltd (D)	60					60	91	60	3
Lake Hills Sunchon (D)	57					57		57	57
STX Pan Ocean Co., Ltd. (D)	23	9	21		2	55	3	32	9
Total	770	265	81		246	1,362	519	587	376

(1) Credit rating as of December 31, 2013, from one of the following Korean credit agencies: Korea Information Service Inc., National Information & Credit Evaluation, Inc. or Korea Ratings.

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

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

Table of Contents

Troubled Debt Restructurings

The following table presents, as of the dates indicated, our loans that are troubled debt restructurings for which we for economic or legal reasons relating to the debtor s financial difficulties grant a concession to the debtor that we would not otherwise consider. These loans consist principally of corporate loans that are accruing interest at rates lower than the original contractual terms as a result of a variation of terms upon restructuring. The following table shows, as of the dates indicated, certain details of our loans not included in problem and past due loans under IFRS which are classified as troubled debt restructurings :

	As of December 31,											
	2010			2011			2012			2013(1)		
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total
	(in billions of Won)											
Loans not included in problem and past due loans which are classified as troubled debt restructurings	2,791		2,791	3,233		3,233	2,604		2,604	1,106		1,106

(1) The amounts as of December 31, 2013 reflect the classification of certain subsidiaries as discontinued operations.

The following table shows, as of the dates indicated, certain details of our loans not included in non-accrual and past due loans under U.S. GAAP which are classified as troubled debt restructurings :

	As of December 31, 2009		
	Domestic	Foreign	Total
	(in billions of Won)		
Loans not included in non-accrual and past due loans which are classified as troubled debt restructurings	1,518		1,518

For 2013, excluding discontinued operations, interest income that we would have recorded under the original contract terms of restructured loans amounted to 88 billion, of which we reflected 32 billion as interest income for 2013.

Potential Problem Loans

As of December 31, 2013, excluding discontinued operations, we had 2,240 billion of corporate loans in respect of which we had serious doubt as to the borrower s ability to comply with repayment terms in the near future. Potential problem loans are precautionary loans that we determine, through our internal loan review process, require close management due to the borrower s financial condition, our forecast for the industry in which it operates or as a result of other developments relating to its business. The following table shows changes in our potential problem loans (excluding discontinued operations) between December 31, 2012 and 2013:

	Amount (in billions of Won)
Balance of potential problem loans at December 31, 2012	3,964
Increase in the balance of potential problem loans to borrowers who became newly classified as borrowers with potential problem loans in 2013	1,108
Decrease in the balance of potential problem loans to borrowers to whom we had potential problem loans outstanding at December 31, 2012 but no longer have any potential problem loans outstanding at December 31, 2013	(2,720)
Net decrease in the balance of potential problem loans to existing borrowers to whom we had potential problems loans outstanding at December 31, 2012	(112)
Balance at December 31, 2013	2,240

Table of Contents

Other Problematic Interest-Earning Assets

We have in the past received certain other interest-earning assets in connection with troubled debt restructurings that, if they were loans, would be required to be disclosed as part of the problem, past due or restructuring or potential problem loan disclosures provided above. However, as of December 31, 2013, we had no such assets.

Non-Performing Loans

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

	As of December 31,			
	2010	2011	2012	2013[(1)]
	(in billions of Won, except percentages)			
Total non-performing loans	6,550[(2)]	3,780[(3)]	3,766[(4)]	4,996[(5)]
As a percentage of total loans	3.3%	1.8%	1.7%	2.6%

(1) The amounts as of December 31, 2013 reflect the classification of certain subsidiaries as discontinued operations.
(2) Excludes 34 billion of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary.
(3) Excludes 43 billion of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary.
(4) Excludes 59 billion of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary.
(5) Excludes 49 billion of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary.

The following table shows, as of the dates indicated, certain details of our total non-performing loan portfolio under U.S. GAAP:

	As of December 31, 2009
Total non-performing loans	2,489[(1)]
As a percentage of total loans	1.3%

(1) Excludes 20 billion of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary.

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

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

Table of Contents

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

	As of December 31,							
	2010		2011		2012		2013[1]	
	Amount	%	Amount	%	Amount	%	Amount	%
	(in billions of Won, except percentages)							
Domestic								
Corporate								
Commercial and industrial	5,317	81.2%	2,846	75.3%	2,652	70.4%	3,783	75.7%
Lease financing	3	0.1	6	0.1	6	0.2		
Trade financing	245	3.7	98	2.6	183	4.9	343	6.9
Other commercial	526	8.0	281	7.4	377	10.0	313	6.3
Total corporate	6,091	93.0	3,231	85.4	3,218	85.4	4,439	88.9
Consumer								
General purpose household[2]	294	4.4	378	10.0	411	10.9	418	8.4
Mortgage	12	0.2	18	0.5	26	0.7	33	0.6
Total consumer	306	4.6	396	10.5	437	11.6	451	9.0
Credit cards	51	0.8	63	1.7	65	1.7	56	1.1
Total domestic	6,448	98.4	3,690	97.6	3,720	98.8	4,946	99.0
Foreign								
Corporate								
Commercial and industrial	65	1.0	90	2.4	42	1.1	47	0.9
Lease financing								
Trade financing								
Other commercial								
Total corporate	65	1.0	90	2.4	42	1.1	47	0.9
Consumer	37	0.6		0.0	4	0.1	3	0.1
Total foreign	102	1.6	90	2.4	46	1.2	50	1.0
Total non-performing loans	6,550	100.0%	3,780	100.0%	3,766	100.0%	4,996	100.0%

(1) The amounts as of December 31, 2013 reflect the classification of certain subsidiaries as discontinued operations.
(2) Includes home equity loans.

Table of Contents

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

	As of December 31, 2009	
	Amount	%
	(in billions of Won, except percentages)	
Domestic		
Corporate		
Commercial and industrial	1,819	73.1%
Lease financing	11	0.4
Trade financing	112	4.5
Other commercial	152	6.1
Total corporate	2,094	84.1
Consumer		
General purpose household [1]	257	10.3
Mortgage	10	0.4
Total consumer	267	10.7
Credit cards	52	2.1
Total domestic	2,413	96.9
Foreign		
Corporate		
Commercial and industrial	76	3.1
Lease financing		
Trade financing		
Other commercial		
Total corporate	76	3.1
Consumer		
Total foreign	76	3.1
Total non-performing loans	2,489	100.0%

(1) Includes home equity loans.

The following table presents an analysis of the changes in our non-performing loans under IFRS for 2013 (excluding discontinued operations):

	2013
	(in billions of Won)
Non-performing loans as of January 1, 2013	3,079
Additions to non-performing loans	
Loans transferred into non-performing loans	3,669
Reductions in non-performing loans	
Loans transferred to the held-for-sale investment portfolio	
Loans sold	(725)
Loans modified and returned to performing loans	(36)
Loans paid down or paid off	(422)

Loans charged-off	(569)
Others	
Total net additions to non-performing loans	1,917
Total non-performing loans as of December 31, 2013	4,996

Table of Contents

Top 20 Non-Performing Loans. As of December 31, 2013, excluding discontinued operations, our 20 largest non-performing loans accounted for 62.9% of our total non-performing loan portfolio. The following table shows, as of that date, certain information regarding those loans:

	Gross principal outstanding	Allowance for credit losses	Collateral[1]	Industry
		(in billions of Won)		
Borrower A	726	317	297	Shipbuilding
Borrower B	406	165		Shipbuilding
Borrower C	330	90	246	Shipbuilding
Borrower D	251	242	4	Manufacturing
Borrower E	186	170		Construction
Borrower F	130	16	126	Shipbuilding
Borrower G	116	100	2	Shipbuilding
Borrower H	104	14		Shipbuilding
Borrower I	99	1	5	Manufacturing
Borrower J	97	13		Manufacturing
Borrower K	94	82	29	Manufacturing
Borrower L	94	8	1	Construction
Borrower M	75	35		Real estate
Borrower N	73	43		Real estate
Borrower O	71	6		Real estate
Borrower P	60	3	60	Manufacturing
Borrower Q	60	0	60	Real estate
Borrower R	58	0	58	Manufacturing
Borrower S	57	57		Real estate
Borrower T	54	27	41	Real estate
Total	3,141	1,389	929	

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

Non-Performing Loan Strategy

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

Each of our subsidiaries has one or more units that are responsible for managing non-performing loans. At Woori Bank, for example, the Credit Management and Collection Department and the Corporate Restoration Department generally oversee the process for resolving non-performing loans transferred to them by other Woori Bank business units. We believe that by centralizing the management of our non-performing loans within each subsidiary, we can become more effective in dealing with the issues relating to these loans by pooling institutional knowledge and creating a more specialized workforce.

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

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

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

- on a limited basis, identifying corporate loans subject to normalization efforts based on the cash-flow situation of the borrower.

Once we have confirmed the details of a non-performing loan, we make efforts to recover amounts owed to us. Methods for resolving non-performing loans include the following:

- commencing collection proceedings;
- commencing legal actions to seize collateral;
- writing off these amounts, transferring them to specific subsidiaries in charge of collections and authorizing those subsidiaries to recover what they can with respect to these amounts or to sell these loans to third parties; and
- with respect to large corporations, commencing or participating in voluntary workouts or restructurings mandated by Korean courts.

In addition to making efforts to collect on our non-performing loans, we also undertake measures to reduce the overall level of our non-performing loans. These measures include:

- selling our non-performing loans to structured companies established in connection with our joint ventures with several financial institutions; and
- selling our non-performing loans to third parties, including KAMCO and United Asset Management Corp.

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

Foreclosure and Collateral. We generally foreclose on mortgages or exercise our security interests in respect of other collateral if a collateralized obligation becomes overdue for more than three months. At that time, we will petition a court to foreclose on collateral and to sell that collateral through a court-supervised auction. Under Korean law, that petition must be filed with a court that has jurisdiction over the mortgaged property, and must be filed together with a copy of the mortgage agreement and an extract of the court registry regarding the subject property. The court will then issue an order to commence the foreclosure auction, which will be registered in the court registry of the subject property. If no bidder bids at least the minimum amount set by the court on the first auction date, the court will set another date for a subsequent auction approximately one month later. Each time a new auction date is set, the minimum auction price will be lowered by approximately 20%. Unlike laws relating to foreclosure in the United States, Korean law does not provide for non-judicial foreclosure. During 2011, 2012 and 2013, excluding discontinued operations, we foreclosed on collateral we obtained with respect to loan balances representing approximately 0.2%, 0.5% and 0.4%, respectively, of our average interest-bearing loan balances in each of those periods.

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

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

90

Table of Contents

Sales of Non-Performing Loans

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

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

	Year Ended December 31,								
	2011[(1)]			2012[(1)]			2013[(1)]		
Purchaser	Principal Amount Sold	Sale Price	Gain (loss)	Principal Amount Sold	Sale Price	Gain (loss)	Principal Amount Sold	Sale Price	Gain (loss)
	(in billions of Won)								
KAMCO	179	56	(123)				27	26	(1)
Structured companies	240	207	(33)	620	462	(158)	310	257	(53)
UAMCO[(2)]	829	526	(303)	293	248	(45)	382	338	(44)
Others	319	132	(187)	125	103	(22)	6	1	(5)
Total	1,567	921	(646)	1,038	813	(225)	725	622	(103)

(1) The amounts for the years ended December 31, 2011, 2012 and 2013 reflect the classification of certain subsidiaries as discontinued operations.
(2) For the years ended December 31, 2011 and 2012, includes sales to the private equity fund for which UAMCO serves as the general partner. See United Asset Management Corp.

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

Pursuant to the terms of certain of these sales, KAMCO can require us to repurchase substandard or below loans we have sold to it in the event that:

- the underlying documentation of the loan is incomplete;
- there is a flaw in the perfection of any security interest underlying the loan; or
- certain litigation regarding the loan is pending.

In addition, we may be required to repurchase any loan relating to a borrower that has applied to a court for reorganization or that is the subject of reorganization proceedings at the time the loan was sold to KAMCO if a court rejects the application for reorganization, disapproves the reorganization plan or fails to approve the reorganization plan within two years of the sale. We may also be required to repurchase a loan if a court determines that the borrower cannot meet the terms of the repayment schedule developed in the reorganization proceeding. The ability of KAMCO to exercise its right to require us to repurchase loans sold is without limit. As of December 31, 2013, we did not have any loans subject to these repurchase rights.

United Asset Management Corp. United Asset Management Corp. was established in late 2009 in the wake of the global financial crisis by six major commercial banks in Korea, including Woori Bank, to purchase, sell and securitize non-performing loans and to engage in corporate restructuring activities, among other things. Woori Bank has committed to contribute 150 billion of capital to UAMCO, of which 73 billion has been contributed to date, and has also provided a credit line of 74 billion to UAMCO, under which no amounts have been drawn down to date.

Woori Bank currently holds a 15% equity interest in UAMCO. The terms of our sale of loans to UAMCO, we are not required to repurchase any such loans, provide post-sale price adjustments or otherwise continue to be involved with such loans subsequent to their sale in any material respect.

Table of Contents

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

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

Allocation and Analysis of Allowances for Credit Losses under IFRS

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

	As of December 31,							
	2010		2011		2012(1)		2013(1)(2)	
	(in billions of Won, except percentages)							
Domestic								
Corporate								
Commercial and industrial	3,459	73.3%	2,690	71.6%	2,543	72.6%	2,336	69.9%
Lease financing	5	0.1	5	0.1	4	0.1		0.0
Trade financing	268	5.7	187	5.0	205	5.8	313	9.4
Other commercial	479	10.1	348	9.3	298	7.0	229	6.9
Total corporate	4,211	89.3	3,230	86.0	3,050	85.5	2,878	86.2
Consumer								
General purpose household(3)	208	4.4	249	6.6	307	8.6	284	8.5
Mortgage	5	0.1	8	0.2	20	0.6	15	0.4
Total consumer	213	4.5	257	6.8	327	9.2	299	8.9
Credit cards	126	2.7	132	3.5	128	3.6	106	3.2
Total domestic	4,550	96.4	3,619	96.3	3,505	98.3	3,283	98.3
Foreign								
Corporate								
Commercial and industrial	150	3.2	139	3.7	57	1.6	53	1.7
Lease financing								
Trade financing					1	0.0	1	
Other commercial	0	0.0	1	0.0	2	0.1		
Total corporate	150	3.2	140	3.7	60	1.7	54	1.7
Consumer	18	0.4	0	0.0	0	0.0		
Total foreign	168	3.6	140	3.7	60	1.7	54	1.7
Total allowance for credit losses	4,718	100.0%	3,759	100.0%	3,565	100.0%	3,337	100.0%

(1)

The amounts as of December 31, 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts as of December 31, 2012 (but not as of December 31, 2011 or 2010) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.

92

Table of Contents

(2) The amounts as of December 31, 2013 reflect the classification of certain subsidiaries as discontinued operations.
(3) Includes home equity loans.

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

	Year ended December 31,			
	2010	2011	2012[1]	2013[1]
	(in billions of Won)			
Balance at the beginning of the period	3,508	4,718	3,759	3,565
Bad debt expenses for the period	3,025	2,085	2,107	2,557
Increase on repurchases of non-performing loans	10	4	0	0
Gross charge-offs				
Domestic				
Corporate				
Commercial and industrial	(1,031)	(1,577)	(1,545)	(1,462)
Lease financing	(5)	(4)	(10)	
Trade financing	(100)	(238)	(108)	(108)
Other commercial	(63)	(304)	(117)	(47)
Total corporate	(1,199)	(2,123)	(1,780)	(1,617)
Consumer				
General purpose household[2]	(86)	(75)	(188)	(179)
Mortgage	(20)	(14)	(2)	(1)
Total consumer	(106)	(89)	(190)	(180)
Credit cards	(140)	(142)	(186)	(172)
Total domestic	(1,445)	(2,354)	(2,156)	(1,969)
Foreign	(61)	(15)	(60)	(8)
Allowances relating to loans sold	(268)	(538)	(163)	(161)
Total gross charge-offs	(1,774)	(2,907)	(2,379)	(2,138)
Recoveries:				
Domestic				
Corporate				
Commercial and industrial	65	33	152	140
Lease financing	1	1	1	
Trade financing	10	10	17	14
Other commercial	9	10	14	13
Total corporate	85	54	184	167
Consumer				
General purpose household[3]	11	8	46	34
Mortgage	1	9	8	8
Total consumer	12	17	54	42
Credit cards	65	33	34	26
Total domestic	162	104	272	235
Foreign	7		3	1
Total recoveries	169	104	275	236
Net charge-offs	(1,605)	(2,803)	(2,104)	(1,902)
Foreign exchange translation effects	(2)	34	(2)	(1)

Others[2]	(218)	(279)	(195)	(225)
Adjustment from discontinued operations				(657)
Balance at the end of the period	4,718	3,759	3,565	3,337
Ratio of net charge-offs during the period to average loans outstanding during the period	0.8%	1.3%	1.0%	1.0%

(1) The amounts for 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts for 2012 (but not for 2011 or 2010) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.

(2) Includes home equity loans.

(3) Includes unwinding of discount.

Table of Contents

Allocation and Analysis of Allowances for Loan Losses under U.S. GAAP

The following table presents, as of the date indicated, the allocation of our allowances for loan losses by loan type under U.S. GAAP:

	As of December 31, 2009 (in billions of Won, except percentages)	
Domestic		
Corporate		
Commercial and industrial	2,653	74.6%
Lease financing	11	0.3
Trade financing	279	7.8
Other commercial	166	4.7
Total corporate	3,109	87.4
Consumer		
General purpose household[1]	182	5.1
Mortgage	11	0.3
Total consumer	193	5.4
Credit cards	78	2.2
Total domestic	3,380	95.0
Foreign		
Corporate		
Commercial and industrial	175	4.9
Lease financing		
Trade financing	2	0.1
Other commercial		
Total corporate	177	5.0
Consumer		
Total foreign	177	5.0
Total allowance for loan losses	3,557	100.0%

(1) Includes home equity loans.

Table of Contents

The following table presents an analysis of the changes in our allowances for loan losses under U.S. GAAP for the year indicated:

	Year ended December 31, 2009 (in billions of Won)
Balance at the beginning of the period	2,942
Provision for credit losses	2,408
Allowance relating to credit-related commitments transferred to loans	47
Gross charge-offs	
Domestic	
Corporate	
Commercial and industrial	(757)
Lease financing	(9)
Trade financing	(81)
Other commercial	(47)
Total corporate	(894)
Consumer	
General purpose household[1]	(456)
Mortgage	(30)
Total consumer	(486)
Credit cards	(203)
Total domestic	(1,583)
Foreign	(60)
Allowance relating to loans sold	(317)
Total gross charge-offs	(1,960)
Recoveries:	
Domestic	
Corporate	
Commercial and industrial	44
Lease financing	1
Trade financing	5
Other commercial	3
Total corporate	53
Consumer	
General purpose household	27
Mortgage and home equity	2
Total consumer	29
Credit cards	59
Total domestic	141
Foreign	3
Total recoveries	144
Net charge-offs	(1,816)
Foreign exchange translation effects	(24)
Balance at the end of the period	3,557

Ratio of net charge-offs during the period to average loans outstanding during the period(2)	0.97%

(1) Includes home equity loans.
(2) Includes amounts relating to allowance related to loans transferred to held-for-sale.

Loan Charge-Offs

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

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

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

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

- loans for which expenses of collection exceed the collectable amount;

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

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

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

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

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

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

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

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

Credit Rehabilitation Programs for Delinquent Consumer Borrowers

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

In 2002, the Financial Services Commission established the Credit Counseling and Recovery Service based upon an agreement among approximately 160 financial institutions in Korea. Upon application to the Credit Counseling and Recovery Service and approval by creditor financial institutions representing a majority of the outstanding unsecured debt and two-thirds of the outstanding secured debt, a qualified credit delinquent person with outstanding debts to two or more financial institutions in an aggregate amount not exceeding 500 million may participate in an individual work-out program designed to restructure such person s debt and rehabilitate such person s credit. The aggregate amount of loans of Woori Bank which became subject to such individual work-out programs in 2013 was 26 billion. In 2013, Woori Bank recovered 2 billion with respect to its loans subject to such individual work-out programs.

In April 2006, the Korean Debtor Recovery and Bankruptcy Law took effect and replaced the Individual Debtor Rehabilitation Law. Under the Korean Debtor Recovery and Bankruptcy Law, a qualified individual debtor with outstanding debts in an aggregate amount not exceeding threshold amounts of 500 million of unsecured debt and/or 1 billion of secured debt may restructure his or her debts through a court-supervised debt restructuring that is binding on creditors. The aggregate amount of loans of Woori Bank which became subject to such court-supervised debt restructuring in 2013 was 135 billion. In 2013, Woori Bank recovered 16 billion with respect to its loans subject to such court-supervised debt restructuring.

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

In March 2009, the Financial Services Commission requested Korean banks, including Woori Bank, to establish a pre-workout program, including a credit counseling and recovery service, for retail borrowers with outstanding short-term debt. The pre-workout program has been in operation since April 2009 and, following successive extensions by the Korean government, is expected to continue indefinitely. Under the pre-workout program, maturity extensions and/or interest rate adjustments are provided for retail borrowers with total loans of less than 1.5 billion (consisting of no more than 500 million of unsecured loans and 1 billion of secured loans) who are in arrears on their payments for more than 30 days but less than 90 days. The aggregate amount of loans made by Woori Bank which became subject to the pre-workout program in 2013 was 19 billion. See Item 3D. Risk Factors Risks relating to our consumer credit portfolio We may experience increases in delinquencies in our consumer loan and credit card portfolios.

In March 2013, in order to support low income consumer borrowers experiencing difficulty in repaying their unsecured long-term debt, the Financial Services Commission announced the establishment of a National Happiness Fund (which supplements the above-described Credit Rehabilitation Fund), which provided one-time relief to such borrowers by:

- purchasing from creditors unsecured loans of individual borrowers not exceeding 100 million in principal amount in the aggregate, which loans were in arrears for a period of six months or more as of February 28, 2013 and, if requested by the borrower, reducing the balance of such loans up to 50% of the outstanding amount and/or extending the maturity of such loans up to 10 years based on the borrower s expected ability to repay;

Table of Contents

purchasing from certain creditors student loans of individual borrowers, which loans were in arrears for a period of six months or more as of February 28, 2013 and, if requested by the borrower, restructuring the balance and/or extending the maturity of such loans based on the borrower s expected ability to repay or until the borrower finds employment; and

for individuals with annual income of 40 million or less with loans of a principal amount not exceeding 30 million in the aggregate and with an interest rate of 20% or higher, facilitating the refinancing of such loans at lower interest rates, provided that such loans were not in default during the six months prior to the application for relief.

Over 3,800 Korean financial institutions and private lenders, including Woori Bank, signed a memorandum of understanding with the National Happiness Fund to sell eligible loans to the fund. The price and volume of such loans to be sold were subject to further negotiations between the National Happiness Fund and such financial institutions and lenders. The National Happiness Fund accepted applications from individual borrowers to participate in such relief programs until October 2013, or January 2014 for individual borrowers of student loans from the Korea Student Aid Foundation. In 2013, Woori Bank sold 74 billion in aggregate principal amount of loans to the National Happiness Fund for an aggregate sale price of 400 million.

Securities Investment Portfolio

Investment Policy

Our subsidiaries invest in and trade Won-denominated securities and, to a lesser extent, foreign currency-denominated securities for their own account to:

maintain asset stability and diversification;

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

supplement income from core lending activities.

Team managers of the treasury and investment banking departments of our subsidiaries supervise the respective subsidiary s investment and trading activities. In making securities investments, our subsidiaries take into account a number of factors, including external broker analyses and internal assessments of macroeconomic trends, industry analysis, credit evaluation and trading history in determining whether to make particular investments in securities.

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

Our securities investments are subject to various regulations, including limitations prescribed under the Financial Holding Company Act and the Bank Act. Under these regulations, a bank 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. In addition, each of our subsidiaries must limit its investments in equity securities and bonds with a maturity in excess of three years (other than monetary stabilization bonds issued by the Bank of Korea and Korean government bonds) to 60% of the sum of its total Tier I and Tier II capital amount (less any capital deductions). Each of our subsidiaries is also generally prohibited from acquiring more than 15% of the shares with voting rights issued by any other corporation. Woori Bank and its trust accounts are prohibited from acquiring the shares of any of our major shareholders, as defined in Supervision and Regulation Principal Regulations Applicable to Banks Financial Exposure to Any Individual Customer or Major Shareholder, in excess of an amount determined by enforcement decree within a maximum limit of 1% of the sum of our Tier I and Tier II capital (less any capital deductions). Further information on the regulatory environment governing our investment activities is set out in Supervision and Regulation Principal Regulations Applicable to Banks Liquidity and Restrictions on Shareholdings in Other Companies.

98

Table of Contents

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

The following table sets out the classifications and accounting treatment of the five primary categories based on which we generally manage our holdings of securities under IFRS:

Category	Classification	Accounting Treatment
Financial assets held for trading	Financial assets that are acquired principally for sale in the near term; form part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profits; or are derivatives without a qualifying hedge relationship.	Recognized at fair value with transaction costs being recognized in net income and subsequently measured at fair value. Gains and losses are recognized in net income as they arise.
Financial assets designated as at fair value through profit and loss	Financial assets for which such designation eliminates or significantly reduces a measurement or recognition inconsistency; applies to a group of financial assets, financial liabilities or both, which are managed and the performance of which is evaluated on a fair value basis; or financial assets related to a contract containing one or more embedded derivatives that would be required to be separated from the host contract.	Recognized at fair value with transaction costs being recognized in net income and subsequently measured at fair value. Gains and losses are recognized in net income as they arise.
Available-for-sale financial assets	Non-derivative financial assets that are not classified as held-to-maturity, held-for-trading, designated as at fair value through profit and loss or loans and receivables. Unquoted equity investments whose fair value cannot be measured reliably are carried at cost and classified as available-for-sale financial assets.	Initially recognized at fair value plus directly related transaction costs and subsequently measured at fair value. Impairment losses in monetary and non-monetary available-for-sale financial assets and dividends on non-monetary financial assets are recognized in net income. Interest revenue on monetary financial assets is calculated using the effective interest method. Other changes in the fair value of available-for-sale financial assets and any related tax are reported in a separate component of owners equity until disposal, when the cumulative gain or loss is recognized in net income.

Table of Contents

Category	Classification	Accounting Treatment
Held-to-maturity financial assets	Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that we have the positive intent and ability to hold to maturity.	Initially recognized at fair value plus directly related transaction costs and subsequently measured at amortized cost using the effective interest method less any impairment losses.
Investments in joint ventures and associates	Investments in joint ventures refer to equity investments in entities with respect to which we have contractual arrangements with other parties to undertake economic activities subject to joint control.	Valued using the equity method, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.
	Investments in associates refer to equity investments in entities over which we have significant influence but do not have direct or indirect control.	Any excess of the cost of acquisition over our share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a joint venture or associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of our share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the acquisition cost is recognized immediately in net income.

See Item 5A. Operating Results Critical Accounting Policies Valuation of Financial Assets and Liabilities.

The following table sets out the definitions of the primary categories of securities we held under U.S. GAAP:

Category	Classification	Accounting Treatment
Trading securities	Securities held in anticipation of short-term market movements, which have been acquired for the purpose of short-term capital gains.	Marked-to-market and reported at fair value. We record unrealized gains and losses in income. Trading securities held by our overseas branches are stated at market value unless otherwise required by regulatory authorities in countries where the overseas branches are located.

Table of Contents

Category	Classification	Accounting Treatment
Available-for-sale securities	Securities not classified as held to maturity or trading or other investments. Securities are classified as available-for-sale when we intend to hold them for an indefinite period of time or when the securities may be utilized for tactical asset/liability purposes and sold from time to time to effectively manage interest rate exposure and resultant prepayment risk and liquidity needs.	Marked-to-market and reported at fair value, with unrealized gains and losses being recorded in other comprehensive income as unrealized gain or loss on valuation of investment securities. If the fair value of available-for-sale securities declines below their cost and the decline is deemed other-than-temporary, the difference in value is recorded as a realized loss on our income statement. For impaired available-for-sale debt securities that we do not intend to sell and we believe that it is more-likely-than-not that we will not be required to sell before recovery of the amortized cost basis, we consider both qualitative and quantitative valuation factors to evaluate whether we expect to recover the entire amortized cost basis of such securities and the amount of the other-than-temporary impairment (or OTTI) is separated into an amount representing the credit loss, which is recognized in earnings, and the amount related to all other factors, which is recognized in other comprehensive income. For marketable equity securities, OTTI evaluations focus on whether evidence supporting recovery of the unrealized loss within a timeframe consistent with temporary impairment exists. Unrealized losses for OTTI on equity securities are recognized in current period earnings.
Held-to-maturity securities	Debt securities are classified as held-to-maturity securities when we have the positive ability and intent to hold until maturity.	Valued at acquisition cost, adjusted for accretion or amortization of discounts and premiums. However, if the fair value of these securities declines below their cost and the decline is deemed other-than-temporary, the difference in value is recorded as a realized loss on our income statement.

Table of Contents

Category	Classification	Accounting Treatment
Other investments	Equity securities where we exercise significant influence over the operating and financial policies of an investee.	Valued pursuant to the equity method of accounting, based on net asset value. We reflect our share in net income or net loss of these entities in our income statement. Changes in retained earnings, capital surplus or other capital accounts of these entities are accounted for as adjustments to our retain earnings or capital adjustments, consistent with the manner reflected in these entities financial statements.
	Equity investment securities that do not have a readily determinable fair value.	Valued at acquisition cost. However, if the fair value of these securities declines below their cost and the decline is deemed other-than-temporary, the difference in value is recorded as a realized loss on our income statement.

Book Value and Fair Value

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

	As of December 31,					
	2011		2012(1)		2013(1)(2)	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
	(in billions of Won)					
Financial assets at fair value through profit and loss						
Financial assets held for trading						
Equity securities	608	608	706	706	196	196
Beneficiary certificates	325	325	755	755	167	167
CMA securities	2,466	2,466	1,937	1,937	201	201
Others	1,651	1,651	2,376	2,376	33	33
Debt securities						
Korean treasury and government agencies	1,194	1,194	2,405	2,405	574	574
Financial institutions	5,194	5,194	4,378	4,378	1,019	1,019
Corporate	5,395	5,395	5,998	5,998	409	409
Commercial paper	2,973	2,973	3,161	3,161		