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You are reminded that the following offering circular has been delivered to you on the basis that you are a person into whose possession the following offering circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the following offering circular to any other person. If this is not the case, you must return this offering circular to us immediately.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. The following offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of Bank of Taiwan, Bank SinoPac, Capital Securities Corp., Crédit Agricole Corporate and Investment Bank, Taipei Branch, CTBC Bank Co., Ltd., E.SUN Commercial Bank, Ltd., Fubon Securities Co., Ltd., HSBC Bank (Taiwan) Limited, KGI Securities Co. Ltd., MasterLink Securities Corporation, Mega International Commercial Bank Co., Ltd., President Securities Corporation, SinoPac Securities Corporation and Yuanta Securities Co., Ltd. (collectively, the “Managers”) nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from the Managers.

Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the securities has led to the conclusion that: (i) the target market for the securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of the securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the securities (a “distributor”) should take into consideration the manufacturer’s target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the securities (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.

You should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

PRICING SUPPLEMENT



(incorporated with limited liability under the laws of the Republic of Korea)

**Issue of U.S.\$300,000,000 Floating Rate Notes due 2023
under the U.S.\$7,000,000,000
Global Medium Term Note Programme**

THE NOTES TO WHICH THIS PRICING SUPPLEMENT RELATES (THE “NOTES”) HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. THE NOTES WILL BE OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S.

Lead Manager and Joint Bookrunner

HSBC Bank (Taiwan) Limited

Joint Manager and Joint Bookrunner

Crédit Agricole Corporate and Investment Bank, Taipei Branch

Co-Managers

Bank of Taiwan

Capital Securities Corp.

E.SUN Bank

KGI Securities Co. Ltd.

Mega International Commercial Bank Co., Ltd.

SinoPac Securities Corporation

Bank SinoPac

CTBC Bank Co., Ltd.

Fubon Securities Co., Ltd.

MasterLink Securities Corporation

President Securities Corporation

Yuanta Securities Co., Ltd.

The date of this Pricing Supplement is 17th January, 2018

Woori Bank

(acting through its principal office in Korea)

Issue of U.S.\$300,000,000 Floating Rate Notes due 2023 under the U.S.\$7,000,000,000 Global Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Capitalised terms used herein shall have the meanings set forth in the Offering Circular dated 28th April, 2017 (the “**Offering Circular**”). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular.

- | | | |
|---|---|---|
| 1. | Issuer: | Woori Bank (acting through its principal office in Korea) |
| 2. | (i) Series Number: | 102 |
| | (ii) Tranche Number: | 1 |
| 3. | Specified Currency or Currencies: | United States dollars (“U.S.\$”) |
| 4. | Aggregate Nominal Amount: | |
| | (i) Series: | U.S.\$300,000,000 |
| | (ii) Tranche: | U.S.\$300,000,000 |
| 5. | (i) Issue Price of Tranche: | 100 per cent. of the Aggregate Nominal Amount |
| | (ii) Net proceeds (after deducting a combined management and underwriting commission but not estimated expenses): | U.S.\$299,400,000 |
| 6. | Specified Denominations: | U.S.\$200,000 and, in excess thereof, integral multiples of U.S.\$1,000 |
| 7. | (i) Issue Date: | 1st February, 2018 |
| | (ii) Interest Commencement Date: | 1st February, 2018 |
| 8. | Maturity Date: | Interest Payment Date falling in February 2023 |
| 9. | Interest Basis: | Three month USD LIBOR + 0.87 per cent. Floating Rate (further particulars specified below) |
| 10. | Redemption/Payment Basis: | Redemption at par |
| 11. | Change of Interest Basis or Redemption/Payment Basis: | None |
| 12. | Put/Call Options: | Not applicable |
| 13. | (i) Status of the Notes: | Senior |
| | (ii) Date Board approval for issuance of Notes obtained: | 15th December, 2017 |
| 14. | Listing: | Taipei Exchange (the “ TPEx ”) and Singapore Exchange Securities Trading Limited (the “ SGX-ST ”) |
| 15. | Method of distribution: | Syndicated |
| PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE | | |
| 16. | Fixed Rate Note Provisions: | Not applicable |

- | | | |
|-----|---|---|
| 17. | Floating Rate Note Provisions: | Applicable |
| | (i) Specified Interest Payment Dates: | Quarterly on each of 1st February, 1st May, 1st August and 1st November in each year, commencing on 1st May, 2018 |
| | (ii) Business Day Convention: | Modified Following Business Day Convention |
| | (iii) Additional Business Centres: | New York City, London, Seoul and Taipei |
| | (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: | Screen Rate Determination |
| | (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): | Not applicable |
| | (vi) Screen Rate Determination: | |
| | — Reference Rate: | Three month USD LIBOR |
| | — Interest Determination Dates: | Second London business day prior to the start of each Interest Period |
| | — Relevant Screen Page: | Reuters Page LIBOR01 |
| | (vii) ISDA Determination: | Not applicable |
| | (viii) Margin(s): | + 0.87 per cent. per annum |
| | (ix) Minimum Rate of Interest: | Not applicable |
| | (x) Maximum Rate of Interest: | Not applicable |
| | (xi) Day Count Fraction: | Actual/360 |
| | (xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: | Not applicable |
| 18. | Zero Coupon Note Provisions: | Not applicable |
| 19. | Index Linked Interest Note Provisions: | Not applicable |
| 20. | Dual Currency Note Provisions: | Not applicable |

PROVISIONS RELATING TO REDEMPTION

- | | | |
|-----|---|----------------|
| 21. | Issuer Call: | Not applicable |
| 22. | Investor Put: | Not applicable |
| 23. | Final Redemption Amount of each Note: | Par |
| 24. | Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 8(e)): | Not applicable |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	Registered Notes (Regulation S Global Note)
26.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	New York City, London, Seoul and Taipei
27.	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	No
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	Not applicable
29.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	Not applicable
30.	Redenomination applicable:	Redenomination not applicable
31.	RMB Currency Event:	Not applicable
32.	Other terms or special conditions:	Not applicable
DISTRIBUTION		
33.	(i) If syndicated, names of Managers:	Bank of Taiwan Bank SinoPac Capital Securities Corp. Crédit Agricole Corporate and Investment Bank, Taipei Branch CTBC Bank Co., Ltd. E.SUN Commercial Bank, Ltd. Fubon Securities Co., Ltd. HSBC Bank (Taiwan) Limited KGI Securities Co. Ltd. MasterLink Securities Corporation Mega International Commercial Bank Co., Ltd. President Securities Corporation SinoPac Securities Corporation Yuanta Securities Co., Ltd.
	(ii) Stabilising Manager (if any):	None
34.	If non-syndicated, name of relevant Dealer:	Not applicable
35.	United States selling restrictions:	Regulation S Category 2 TEFRA rules not applicable
36.	Additional selling restrictions:	The Republic of China (the “ROC”) The Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly, to investors other than “professional institutional investors” as defined under Paragraph 2, Article 4 of the Financial Consumer Protection

Act of the ROC, which currently include: (i) overseas or domestic banks, securities firms, futures firms and insurance companies (excluding insurance agencies, insurance brokers and insurance surveyors), the foregoing as further defined in more detail in Paragraph 3 of Article 2 of the Organization Act of the Financial Supervisory Commission of the ROC, (ii) overseas or domestic fund management companies, government investment institutions, government funds, pension funds, mutual funds, unit trusts, and funds managed by financial service enterprises pursuant to the ROC Securities Investment Trust and Consulting Act, the ROC Future Trading Act or the ROC Trust Enterprise Act or investment assets mandated and delivered by or transferred for trust by financial consumers, and (iii) other institutions recognized by the Financial Supervisory Commission of the ROC. Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a professional institutional investor.

European Economic Area

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the securities has led to the conclusion that: (i) the target market for the securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the securities (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

OPERATIONAL INFORMATION

- | | | |
|-----|--|--------------------------|
| 37. | Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | Not applicable |
| 38. | Delivery: | Delivery against payment |
| 39. | In the case of Registered Notes, specify the location of the office of the Registrar if other than New York: | Not applicable |
| 40. | Additional Paying Agent(s) (if any): | None |
| | ISIN: | XS1755413652 |
| | Common Code: | 175541365 |

RECENT DEVELOPMENTS

This section provides information that supplements or replaces certain information about the Issuer or the Programme under the headings corresponding to the headings below in the Offering Circular. Capitalised terms used in this section or elsewhere in this Pricing Supplement have the meanings given to them in the Offering Circular. If the information in this section differs from the information in the Offering Circular, you should rely on the information in this section.

RISK FACTORS

Risks relating to the Notes

Changes in the method for determining LIBOR or the application of alternative interest rates may adversely affect the value of and return on the Notes

The London Interbank Offered Rate (“LIBOR”) for three-month borrowings denominated in U.S. dollars (“Three month USD LIBOR”) is the Reference Rate used to calculate the Rate of Interest applicable to the Notes for each quarterly Interest Period. LIBOR for different periods and currencies is determined and announced on a daily basis by the ICE Benchmark Administration, the administrator of LIBOR, based on rate submissions provided by groups of panel banks for the relevant currencies. In July 2017, the U.K. Financial Conduct Authority (the “FCA”), which has regulatory authority with respect to LIBOR, announced that it does not intend to continue to encourage, or use its power to compel, panel banks to provide rate submissions for the determination of LIBOR beyond the end of 2021. It is possible that panel banks will continue to provide rate submissions, and that the ICE Benchmark Administration will continue to determine and announce LIBOR, on the current basis after 2021, if they are willing and able to do so. However, there is no guarantee that LIBOR will be determined and announced after 2021 on the current basis, or at all.

Pursuant to the terms and conditions of the Notes, if Three month USD LIBOR information is no longer available through the relevant Reuters screen page, the Rate of Interest applicable to the Notes will be calculated pursuant to certain “fall-back” provisions set forth in the Agency Agreement. The operation of such fall-back provisions, which is dependent in part upon the provision by certain reference banks of applicable rate quotations, is subject to market conditions and the availability of rate information from the relevant banks at the relevant time. In certain circumstances, the operation of such fall-back provisions may result in a Rate of Interest that is a fixed rate, based on the Rate of Interest applicable to the last Interest Period for which rate information was available.

Uncertainty as to the continued availability of, and future determination method for, LIBOR, as well as the Rate of Interest that would be applicable to the Notes if LIBOR becomes discontinued or no longer available, may negatively affect the trading market for and value of the Notes. Currently, it is not possible to predict future developments with respect to LIBOR or their timing or impact. Any such developments, including as a result of international, national or other initiatives for reform or for the adoption of substitute or successor interest rate benchmarks, could have a material adverse effect on the value of and return on the Notes.

CAPITALISATION OF THE BANK

The following table sets out the Bank's consolidated capitalisation (defined as the sum of its borrowings and debentures and its equity) as of 30th September, 2017 (i) on an actual basis, as extracted from the Bank's unaudited consolidated interim financial statements as of and for the nine-month period ended 30th September, 2017 included elsewhere in this Pricing Supplement and (ii) on an as adjusted basis to give effect to the issue of the Notes. The as adjusted information below is illustrative only and does not take into account any changes in the capitalisation of the Bank after 30th September, 2017, other than to give effect to the issue of the Notes.

	As of 30th September, 2017			
	Actual ⁽¹⁾		As Adjusted	
	(in billions of Won)			
Indebtedness (including current portion):				
Borrowings	₩	16,314	₩	16,314
Debentures.....		27,537		27,537
Notes offered hereby		—		344
Total Indebtedness	₩	43,852	₩	44,196
Equity:				
Capital stock, par value ₩5,000				
Authorised share capital (5,000 million shares)				
Issued common stock (676,000,000 shares)	₩	3,381	₩	3,381
Hybrid equity securities		3,018		3,018
Capital surplus.....		287		287
Other equity.....		(1,759)		(1,759)
Retained earnings		15,524		15,524
Non-controlling interests	₩	166	₩	166
Total equity	₩	20,617	₩	20,617
Total capitalisation	₩	64,468	₩	64,812

Notes:

(1) There has been no material change in the capitalisation of the Bank since 30th September, 2017.

(2) Translated into Won at ₩1,146.7 to U.S.\$1.00, the Market Average Exchange Rate in effect as of 30th September, 2017.

SELECTED FINANCIAL DATA

The following tables set forth selected consolidated financial information of the Bank as of 31st December, 2016 and 30th September, 2017 and for the nine-month periods ended 30th September, 2016 and 2017, which have been derived from the Bank's unaudited consolidated interim financial statements included elsewhere in this Pricing Supplement. Such financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by Korea ("K-IFRS"), which differs in certain significant respects from generally accepted accounting principles in other countries, including the United States.

The unaudited consolidated interim financial statements of the Bank as of 31st December, 2016 and 30th September, 2017 and for the nine-month periods ended 30th September, 2016 and 2017 included elsewhere in this Pricing Supplement have not been audited but have been reviewed by the Bank's independent accountants, Deloitte Anjin LLC, a member firm of Deloitte Touche Tohmatsu.

The Bank's results of operations for the nine-month period ended 30th September, 2017 are not necessarily indicative of its results of operations for the full year 2017.

	For the nine-month period ended 30th September,	
	2016	2017
	(in billions of Won, except per share data)	
Consolidated Statement of Comprehensive Income Information		
Operating income		
Net interest income:		
Interest income	₩ 6,402	₩ 6,377
Interest expense	(2,657)	(2,476)
	<u>3,745</u>	<u>3,902</u>
Net fees and commissions income:		
Fees and commissions income	1,389	1,548
Fees and commissions expense	(679)	(734)
	<u>710</u>	<u>815</u>
Dividend income	137	108
Net loss on financial instruments at fair value through profit or loss	(44)	(98)
Net gain on available-for-sale financial assets	33	148
Impairment losses due to credit loss	(671)	(501)
General and administrative expenses:		
Employee benefits	(1,447)	(1,762)
Depreciation and amortisation.....	(188)	(140)
Other administrative expenses.....	(777)	(745)
	<u>(2,412)</u>	<u>(2,647)</u>
Other net operating income (expenses)	(109)	74
	<u>1,389</u>	<u>1,802</u>
Non-operating loss		
Share of gains (losses) of joint ventures and associates	(18)	5
Other net non-operating loss.....	(12)	(6)
	<u>(30)</u>	<u>(0)</u>
Net income before income tax expense.....	1,359	1,802
Income tax expense	(242)	(409)
Net income (Net income after the provision of regulatory reserve for credit loss for the nine months ended 30th September, 2017 and 2016 are ₩1,290 billion and ₩1,118 billion, respectively)..	<u>₩ 1,117</u>	<u>₩ 1,392</u>
Net income attributable to:		
Net income attributable to owners	1,106	1,379
Net income attributable to non-controlling interests.....	11	14
Other comprehensive income (loss), net of tax:		
Items that will not be reclassified to profit or loss:		
Remeasurement of the net defined benefit liability	₩ (53)	₩ 13
Items that may be reclassified to profit or loss:		
Gain (loss) on available-for-sale financial assets.....	52	(51)
Share of other comprehensive gain (loss) of joint ventures and associates.....	(3)	5
Loss on foreign currency translation for foreign operations.....	(75)	(55)
Gain (loss) on valuation of cash flow hedge.....	10	(1)
	<u>(15)</u>	<u>(102)</u>
Total comprehensive income.....	<u>₩ 1,049</u>	<u>₩ 1,304</u>

		For the nine-month period ended 30th September,	
		2016	2017
		(in billions of Won, except per share data)	
Comprehensive income attributable to owners		1,038	1,295
Comprehensive income attributable to non-controlling interests.....		12	8
Basic and diluted earnings per share:			
Basic and diluted earnings per share	₩	1,421	₩ 1,855

		As of 31st December, 2016	As of 30th September, 2017
		(in billions of Won)	

Consolidated Statement of Financial Position Information

Assets:

Cash and cash equivalents	₩	7,591	₩ 6,812
Financial assets at fair value through profit or loss		5,651	4,609
Available-for-sale financial assets.....		20,818	18,625
Held-to-maturity financial assets.....		13,910	16,325
Loans and receivables.....		258,393	266,972
Investments in joint ventures and associates		439	558
Investment properties		358	361
Premises and equipment		2,458	2,491
Intangible assets and goodwill.....		484	525
Assets held for sale		2	3
Current tax assets		6	4
Deferred tax assets.....		232	258
Derivative assets		141	110
Net defined benefit assets		71	6
Other assets		129	215
Total assets	₩	310,683	₩ 317,875

Liabilities:

Financial liabilities at fair value through profit or loss	₩	3,803	₩ 2,468
Deposits due to customers		221,020	226,344
Borrowings.....		18,770	16,314
Debentures		23,565	27,537
Provisions.....		428	401
Net defined benefit liability		65	26
Current tax liabilities		171	250
Deferred tax liabilities		22	22
Derivative liabilities.....		7	42
Other financial liabilities		21,985	23,530
Other liabilities		299	323
Total liabilities.....	₩	290,137	₩ 297,258
Total equity.....	₩	20,546	₩ 20,617

MANAGEMENT

Mr. Tae-Seung Sohn was appointed as the new President and CEO, and a standing director, of the Bank at an extraordinary general meeting of shareholders of the Bank held on 22nd December, 2017. His term of office commenced at the time of his appointment and will end on the date of the extraordinary general meeting of shareholders of the Bank to be held in December 2020.

LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$7,000,000,000 Global Medium Term Note Programme of Woori Bank.

The Issuer will submit an application for the Notes to be listed on the TPEX. The Notes will be traded on the TPEX pursuant to the applicable rules thereof. The effective date for the listing and trading of the Notes is expected to be on 1st February, 2018.

The TPEX is not responsible for the content of this Pricing Supplement and the Offering Circular and any supplement or amendment thereto and no representation is made by the TPEX to the accuracy or completeness of this Pricing Supplement and the Offering Circular and any supplement or amendment thereto. The TPEX expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this Pricing Supplement and the Offering Circular and any supplement or amendment thereto. Admission to the listing and trading of the Notes on the TPEX shall not to be taken as an indication of the merits of the Issuer or the Notes.

The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Pricing Supplement. Approval in-principle from, admission of the Notes to the Official List of, and listing and quotation of any Notes on, the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Programme or the Notes.

ADDITIONAL RISK FACTORS

Application will be made for the listing of the Notes on the TPEX. No assurances can be given as to whether the Notes will be, or will remain, listed on the TPEX. If the Notes fail to, or cease to, be listed on the TPEX, certain investors may not invest in, or continue to hold or invest in, the Notes.

NOTICES

If and for so long as the Notes are listed on the TPEX and for so long as the rules of the TPEX so require, all notices regarding the Notes shall also be published on a website designated by the Financial Supervisory Commission of the ROC (currently, http://siis.twse.com.tw/e_bond.htm).

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement, which, when read together with the Offering Circular, contains all information that is material in the context of the issue of the Notes.

ROC TAXATION

The following is a general description of the principal ROC tax consequences for investors receiving interest in respect of, or disposing of, the Notes and is of a general nature based on the Issuer's understanding of current law and practice. It does not purport to be comprehensive and does not constitute legal or tax advice.

This general description is based upon the law as in effect on the date hereof and on the assumption that the Notes will be issued, offered, sold and re-sold to professional institutional investors as defined under Paragraph 2, Article 4 of the Financial Consumer Protection Act of the ROC only. This description is subject to change potentially with retroactive effect. Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below. Investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding or selling the Notes.

Interest on the Notes

As the Issuer of the Notes is not an ROC statutory tax withholder, there is no ROC withholding tax on the interest or deemed interest to be paid by the Issuer on the Notes.

ROC corporate holders must include the interest or deemed interest receivable under the Notes as part of their taxable income and pay income tax at a flat rate of 17 per cent. (unless the total taxable income for a fiscal year is under NT\$120,000), as they are subject to income tax on their worldwide income on an accrual basis. The alternative minimum tax ("AMT") is not applicable.

Sale of the Notes

In general, the sale of corporate bonds or financial bonds is subject to 0.1 per cent. securities transaction tax ("STT") on the transaction price. However, Article 2-1 of the Securities Transaction Tax Act prescribes that STT will cease to be levied on the sale of corporate bonds and financial bonds from 1st January, 2010 to 31st December, 2026. Therefore, the sale of the Notes will be exempt from STT if the sale is conducted on or before 31st December, 2026. Starting from 1st January, 2027, any sale of the Notes will be subject to STT at 0.1 per cent. of the transaction price, unless otherwise provided by the tax laws that may be in force at that time.

Capital gains generated from the sale of bonds are exempt from income tax. Accordingly, ROC corporate holders are not subject to income tax on any capital gains generated from the sale of the Notes. However, ROC corporate holders should include the capital gains in their basic income for AMT calculation purposes. If the amount of the AMT exceeds the ordinary income tax calculated pursuant to the Income Basic Tax Act of the ROC (also known as the AMT Act), the excess will become the ROC corporate holders' AMT payable. Capital losses, if any, incurred by such holders may be carried over five years to offset capital gains of the same income category for AMT calculation purposes.

ROC SETTLEMENT AND TRADING

Investors with a securities book-entry account with an ROC securities broker and a foreign currency deposit account with an ROC bank, may request the approval of the Taiwan Depository & Clearing Corporation ("TDCC") for the settlement of the Notes through the account of TDCC with Euroclear or Clearstream, Luxembourg and if such approval is granted by TDCC, the Notes may be so cleared and settled. In such circumstances, TDCC will allocate the respective book-entry interest of such investor in the Notes to the securities book-entry account designated by such investor in the ROC. The Notes will be traded and settled pursuant to the applicable rules and operating procedures of TDCC and the TPEX as domestic bonds.

In addition, an investor may apply to TDCC (by filing in a prescribed form) to transfer the Notes in its own account with Euroclear or Clearstream, Luxembourg to the TDCC account with Euroclear or Clearstream, Luxembourg for trading in the domestic market or vice versa for trading in overseas markets.

For such investors who hold their interest in the Notes through an account opened and held by TDCC with Euroclear or Clearstream, Luxembourg, distributions of principal and/or interest for the Notes to such holders may be made by payment services banks whose systems are connected to TDCC to the foreign currency deposit accounts of the holders. Such payment is expected to be made on the second Taiwanese business day following TDCC's receipt of such payment (due to time difference, the payment is expected to be received by TDCC one Taiwanese business day after the distribution date). However, when the holders will actually receive such

distributions may vary depending upon the daily operations of the ROC banks with which the holder has the foreign currency deposit account.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

English Translation of a Report Originally Issued in Korean on November 13, 2017

**To the Shareholders and the Board of Directors of
Woori Bank**

Report on the Consolidated Financial Statements

We have reviewed the accompanying consolidated interim financial statements of Woori Bank and subsidiaries (the "Group"). The financial statements consist of the consolidated interim statements of financial position as of September 30, 2017 and the consolidated interim statements of comprehensive income for the three and nine months ended September 30, 2017 and 2016, consolidated interim statements of changes in shareholders' equity and consolidated interim statements of cash flows, all expressed in Korean Won, for the nine months ended September 30, 2017 and 2016, respectively, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Interim Financial Statements

The Group's management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") and for such internal control as management determines is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Independent Accountants' Responsibility

Our responsibility is to express a conclusion on the accompanying consolidated interim financial statements based on our reviews.

We conducted our reviews in accordance with standards for review of consolidated interim financial statements in the Republic of Korea. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

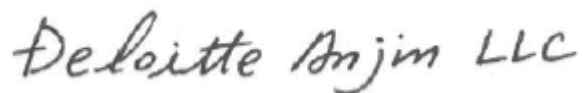
Review conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements of the Group are not presented fairly, in all material respects, in accordance with K-IFRS 1034, *Interim Financial Reporting*.

Others

We audited the consolidated interim statement of financial position as of December 31, 2016, and the related consolidated interim statements of comprehensive income, changes in shareholders' equity and cash flows for the year ended December 31, 2016 (not presented in the accompanying consolidated financial statements, all expressed in Korean Won), in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion in our independent auditors' report dated on March 3, 2017. The consolidated statement of financial position as of December 31, 2016 presented as a comparative purpose in the accompanying financial statements does not differ, in all material respects, from the audited consolidated statement of financial position as of December 31, 2016.

Accounting principles and review standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean accounting procedures and review standards and their application in practice.

A handwritten signature in dark ink that reads "Deloitte Anjin LLC". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

November 13, 2017

Notice to Readers

This report is effective as of November 13, 2017, 2017, the accountants' review report date. Certain subsequent events or circumstances may have occurred between the accountants' review report date and the time the accountants' review report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the accountants' review report.

WOORI BANK AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2017 AND DECEMBER 31, 2016

	September 30, 2017	December 31, 2016
	(Korean Won in millions)	
ASSETS		
Cash and cash equivalents (Note 6)	6,812,489	7,591,324
Financial assets at fair value through profit or loss (Notes 4,7,11,12,18 and 26)	4,609,487	5,650,724
Available-for-sale financial assets (Notes 4,8,11,12 and 18)	18,624,588	20,817,583
Held-to-maturity financial assets (Notes 4,9,11,12 and 18)	16,325,482	13,910,251
Loans and receivables (Notes 4,10,11,12,18 and 45)	266,972,072	258,392,633
Investments in joint ventures and associates (Note 13)	557,860	439,012
Investment properties (Note 14)	361,355	358,497
Premises and equipment (Notes 15 and 18)	2,490,725	2,458,025
Intangible assets and goodwill (Note 16)	524,914	483,739
Assets held for sale (Note 17)	2,909	2,342
Current tax assets	4,105	6,229
Deferred tax assets	258,031	232,007
Derivative assets (Notes 4,11,12 and 26)	109,828	140,577
Net defined benefit assets (Note 24)	5,934	70,938
Other assets (Notes 19 and 45)	215,383	128,846
Total assets	<u>317,875,162</u>	<u>310,682,727</u>
LIABILITIES		
Financial liabilities at fair value through profit or loss (Notes 4,11,12,20 and 26)	2,468,106	3,803,358
Deposits due to customers (Notes 4,11,21 and 45)	226,344,233	221,020,411
Borrowings (Notes 4,11,12 and 22)	16,314,499	18,769,515
Debentures (Notes 4,11 and 22)	27,537,013	23,565,449
Provisions (Notes 23 and 44)	401,185	428,477
Net defined benefit liability (Note 24)	26,433	64,666
Current tax liabilities	249,960	171,192
Deferred tax liabilities	22,303	22,023
Derivative liabilities (Notes 4,11,12 and 26)	41,619	7,221
Other financial liabilities (Notes 4,11,12, 25 and 45)	23,529,630	21,985,086
Other liabilities (Notes 25 and 45)	323,213	299,376
Total liabilities	<u>297,258,194</u>	<u>290,136,774</u>

(Continued)

WOORI BANK AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2017 AND DECEMBER 31, 2016 (CONTINUED)

	September 30, 2017	December 31, 2016
	(Korean Won in millions)	
EQUITY		
Owners' equity:	20,450,563	20,386,160
Capital stock (Note 28)	3,381,392	3,381,392
Hybrid securities (Note 29)	3,017,888	3,574,896
Capital surplus (Note 28)	287,066	286,331
Other equity (Note 30)	(1,759,299)	(1,468,025)
Retained earnings (Notes 31 and 32)		
(Regulatory reserve for credit loss as of September 30, 2017 and December 31, 2016 is 2,438,191 million Won and 2,255,252 million Won, respectively		
Regulatory reserve for credit loss to be reserved as of September 30, 2017 and December 31, 2016 is 102,705 million Won and 182,939 million Won, respectively		
Planned provision of regulatory reserve for credit loss as of September 30, 2017 and December 31, 2016 is 102,705 million Won and 182,939 million Won, respectively)	15,523,516	14,611,566
Non-controlling interests (Note 1)	166,405	159,793
Total equity	20,616,968	20,545,953
Total liabilities and equity	317,875,162	310,682,727

See accompanying notes

WOORI BANK AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND NINE MONTHS
ENDED SEPTEMBER 30, 2017 AND 2016

	2017		2016	
	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30
	(Korean Won in millions, except per share data)			
Interest income	2,187,829	6,377,413	2,108,925	6,402,487
Interest expense	836,273	2,475,537	852,483	2,657,287
Net interest income (Notes 34 and 45)	<u>1,351,556</u>	<u>3,901,876</u>	<u>1,256,442</u>	<u>3,745,200</u>
Fees and commissions income	534,597	1,548,490	482,002	1,388,832
Fees and commissions expense	257,728	733,921	240,495	679,319
Net fees and commissions income (Notes 35 and 45)	<u>276,869</u>	<u>814,569</u>	<u>241,507</u>	<u>709,513</u>
Dividend Income (Note 36)	48,842	108,287	16,881	137,280
Net gain (loss) on financial instruments at fair value through profit or loss (Note 37)	48,773	(97,636)	(102,362)	(43,766)
Net gain on available-for-sale financial assets (Note 38)	44,273	148,445	3,889	32,772
Impairment losses on credit loss (Notes 39 and 45)	(217,259)	(501,022)	(240,099)	(670,843)
General and administrative expenses (Note 40 and 45)	(1,108,625)	(2,647,052)	(767,230)	(2,411,782)
Other net operating income (expenses) (Notes 40 and 45)	(126,741)	74,449	31,090	(109,153)
Operating income	<u>317,688</u>	<u>1,801,916</u>	<u>440,118</u>	<u>1,389,221</u>
Share of gains (losses) of joint ventures and associates (Note 13)	69,670	5,392	(6,375)	(18,019)
Other net non-operating income (loss)	(15,720)	(5,722)	14,532	(11,806)
Non-operating income (loss) (Note 41)	<u>53,950</u>	<u>(330)</u>	<u>8,157</u>	<u>(29,825)</u>
Net income before income tax expense	<u>371,638</u>	<u>1,801,586</u>	<u>448,275</u>	<u>1,359,396</u>
Income tax expense (Note 42)	88,212	409,145	88,883	242,217
Net income	<u>283,426</u>	<u>1,392,441</u>	<u>359,392</u>	<u>1,117,179</u>
(Net income after the provision of regulatory reserve for credit loss for the three months ended September 30, 2017 and 2016 are 230,682 million Won and 372,698 million Won, respectively, and net income after the provision of regulatory reserve for credit loss for the nine months ended September 30, 2017 and 2016 are 1,289,736 million Won and 1,117,659 million Won, respectively) (Note 32)				
Remeasurement of the net defined benefit liability	22,820	13,143	(8,121)	(52,788)
Items that will not be reclassified to profit or loss	<u>22,820</u>	<u>13,143</u>	<u>(8,121)</u>	<u>(52,788)</u>
Gain (loss) on available-for-sale financial assets	(22,335)	(51,041)	(27,945)	52,278
Share of other comprehensive gain (loss) of joint ventures and associates	3,410	4,917	(2,732)	(2,965)
Gain (loss) on foreign currency translation for foreign operations	14,488	(54,522)	(72,392)	(75,041)
Gain (loss) on valuation of cashflow hedge	279	(1,247)	-	10,371
Items that may be reclassified to net income	<u>(4,158)</u>	<u>(101,893)</u>	<u>(103,069)</u>	<u>(15,357)</u>
Other comprehensive income (loss), net of tax	<u>18,662</u>	<u>(88,750)</u>	<u>(111,190)</u>	<u>(68,145)</u>
Total comprehensive income	<u>302,088</u>	<u>1,303,691</u>	<u>248,202</u>	<u>1,049,034</u>
Net income attributable to:				
Net income attributable to owners	280,146	1,378,507	355,649	1,105,915
Net income attributable to non-controlling interests	3,280	13,934	3,743	11,264
Total comprehensive income attributable to:				
Comprehensive income attributable to owners	299,649	1,295,391	248,848	1,037,516
Comprehensive income (loss) attributable to non-controlling interests	2,439	8,300	(646)	11,518
Basic and diluted earnings per share (In Korean Won) (Note 43)	<u>358</u>	<u>1,855</u>	<u>455</u>	<u>1,421</u>

See accompanying notes

WOORI BANK AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

	Capital stock	Hybrid securities	Capital surplus	Other Equity and others	Retained earnings	Controlling interests	Non- controlling interests	Total equity
				(Korean Won in millions)				
January 1, 2016	3,381,392	3,334,002	294,259	(1,547,303)	13,726,122	19,188,472	121,443	19,309,915
Net income	-	-	-	-	1,105,915	1,105,915	11,264	1,117,179
Dividends	-	-	-	-	(168,317)	(168,317)	(1,275)	(169,592)
Disposal of investments in consolidated subsidiaries	-	-	1	-	-	1	-	1
Gain on valuation of available-for-sale financial assets	-	-	-	51,654	-	51,654	624	52,278
Changes in equity of joint ventures and associates	-	-	-	(2,965)	-	(2,965)	-	(2,965)
Loss on foreign currencies translation of foreign operations	-	-	-	(74,675)	-	(74,675)	(366)	(75,041)
Gain on valuation of cash flow hedge	-	-	-	10,371	-	10,371	-	10,371
Remeasurement of the net defined benefit liability	-	-	-	(52,783)	-	(52,783)	(5)	(52,788)
Dividends on hybrid securities	-	-	-	-	(149,506)	(149,506)	-	(149,506)
Issuance of hybrid securities	-	549,905	-	-	-	549,905	-	549,905
September 30, 2016	<u>3,381,392</u>	<u>3,883,907</u>	<u>294,260</u>	<u>(1,615,701)</u>	<u>14,514,214</u>	<u>20,458,072</u>	<u>131,685</u>	<u>20,589,757</u>
January 1, 2017	3,381,392	3,574,896	286,331	(1,468,025)	14,611,566	20,386,160	159,793	20,545,953
Net income	-	-	-	-	1,378,507	1,378,507	13,934	1,392,441
Dividends	-	-	-	-	(336,636)	(336,636)	(1,544)	(338,180)
Subsidiary capital increase	-	-	735	-	-	735	(144)	591
Gain(loss) on valuation of available-for-sale financial assets	-	-	-	(51,480)	-	(51,480)	439	(51,041)
Changes in equity of joint ventures and associates	-	-	-	4,917	-	4,917	-	4,917
Loss on foreign currencies translation of foreign operations	-	-	-	(48,506)	-	(48,506)	(6,016)	(54,522)
Loss on valuation of cash flow hedge	-	-	-	(1,247)	-	(1,247)	-	(1,247)
Remeasurement of the net defined benefit liability	-	-	-	13,200	-	13,200	(57)	13,143
Dividends on hybrid securities	-	-	-	-	(129,921)	(129,921)	-	(129,921)
Issuance of hybrid securities	-	559,565	-	-	-	559,565	-	559,565
Redemption of hybrid securities	-	(1,116,573)	-	(208,158)	-	(1,324,731)	-	(1,324,731)
September 30, 2017	<u>3,381,392</u>	<u>3,017,888</u>	<u>287,066</u>	<u>(1,759,299)</u>	<u>15,523,516</u>	<u>20,450,563</u>	<u>166,405</u>	<u>20,616,968</u>

See accompanying notes

WOORI BANK AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

	For the nine months ended September 30	
	2017	2016
	(Korean Won in millions)	
Cash flows from operating activities:		
Net income	1,392,441	1,117,179
Adjustments:		
Income tax expense	409,145	242,217
Interest income	(6,377,413)	(6,402,487)
Interest expense	2,475,537	2,657,287
Dividend income	(108,287)	(137,280)
	<u>(3,601,018)</u>	<u>(3,640,263)</u>
Additions of expenses not involving cash outflows:		
Impairment losses on credit loss	501,022	670,843
Impairment loss on investments in joint ventures and associates	74,171	29,280
Loss on transaction and valuation of derivatives instruments (hedging)	39,768	31,778
Loss on hedged items (fair value hedge)	6,856	82,263
Provisions	52,391	22,695
Retirement benefits	107,430	114,277
Depreciation and amortization	179,085	191,127
Loss on disposal of investments in joint ventures and associates	38,701	15,060
Loss on disposal of premises and equipment and other assets	8,574	6,611
Impairment loss on premises and equipment and other assets	269	1,403
	<u>1,008,267</u>	<u>1,165,337</u>
Deduction of revenues not involving cash inflows:		
Gain on valuation of financial instruments at fair value through profit or loss	65,764	182,767
Gain on available-for-sale financial assets	148,445	32,772
Gain on valuation of investments in joint ventures and associates	79,563	11,261
Gain on transaction and valuation of derivatives instruments (hedging)	7,695	77,723
Gain on hedged items (fair value hedge)	25,055	30,602
Reversal of provisions	2,000	864
Gain on disposal of investments in joint ventures and associates	33,194	1,250
Gain on disposal of premises and equipment and other assets	4,895	1,525
Reversal of impairment loss on premises and equipment and other assets	604	3,711
	<u>367,215</u>	<u>342,475</u>
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	(232,152)	(137,199)
Loans and receivables	(10,076,492)	(17,776,026)
Other assets	(86,535)	(94,998)
Deposits due to customers	5,326,478	11,323,759
Provision	(98,616)	(58,034)
Net defined benefit liability	(19,952)	(249,297)
Other financial liabilities	1,644,842	9,621,522
Other liabilities	14,749	18,750
	<u>(3,527,678)</u>	<u>2,648,477</u>

(Continued)

WOORI BANK AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016 (CONTINUED)

	For the nine months ended September 30	
	2017	2016
	(Korean Won in millions)	
Cash received from (paid for) operating activities:		
Interest income received	6,445,201	6,409,990
Interest expense paid	(2,535,668)	(2,498,628)
Dividends received	110,855	136,163
Income tax paid	(328,793)	(211,346)
Net cash provided by (used in) operating activities	(1,403,608)	4,784,434
Cash flows from investing activities:		
Cash in-flows from investing activities:		
Disposal of available-for-sale financial assets	18,991,381	14,997,100
Redemption of held-to-maturity financial assets	6,851,014	5,958,431
Disposal of investments in joint ventures and associates	78,204	57,035
Disposal of investment properties	356	-
Disposal of premises and equipment	6,425	250
Disposal of intangible assets	998	3,784
Disposal of assets held for sale	6,832	13,876
	25,935,210	21,030,476
Cash out-flows from investing activities:		
Acquisition of available-for-sale financial assets	15,777,632	16,194,628
Acquisition of held-to-maturity financial assets	9,280,802	6,224,158
Acquisition of investments in joint ventures and associates	137,411	800
Acquisition of investment properties	5,080	3,133
Acquisition of premises and equipment	133,728	82,727
Acquisition of intangible assets	168,676	115,445
	25,503,329	22,620,891
Net cash provided by (used in) investing activities	431,881	(1,590,415)
Cash flows from financing activities:		
Cash inflows from financing activities:		
Increase in borrowings	9,856,662	5,698,152
Issuance of debentures	14,556,550	11,913,773
Issuance of hybrid securities	559,565	549,905
Capital increase of subsidiaries	635	-
	24,973,412	18,161,830
Cash outflows from financing activities:		
Decrease in borrowings	12,308,155	8,512,585
Repayment of debentures	10,581,681	10,691,486
Redemption of hybrid securities	1,323,400	-
Payment of dividends	336,636	168,317
Dividends paid on hybrid securities	131,423	125,946
Dividends paid on non-controlling interests	1,544	1,275
	24,682,839	19,499,609
Net cash provided by (used in) financing activities	290,573	(1,337,779)
Net increase (decrease) in cash and cash equivalents	(681,154)	1,856,240
Cash and cash equivalents, beginning of the period	7,591,324	6,644,055
Effects of exchange rate changes on cash and cash equivalents	(97,681)	(218,785)
Cash and cash equivalents, end of the period	6,812,489	8,281,510

See accompanying notes

WOORI BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2017 AND FOR THE THREE MONTHS AND THE NINE MONTHS
ENDED SEPTEMBER 30, 2017 AND 2016

1. GENERAL

(1) Summary of the parent company

Woori Bank (hereinafter referred to the “Bank”), which is a controlling entity in accordance with Korean International Financial Reporting Standards (“K-IFRS”) 1110 – *Consolidated Financial Statements*, was established in 1899 and is engaged in the commercial banking business under the Banking Law, trust business under the Financial Investment Services and Capital Market Act, and foreign currencies exchange business with approval from The Bank of Korea (“BOK”) and the Ministry of Finance and Economy (“MOFE”).

Previously, Woori Finance Holdings Co., Ltd., the former holding company of Woori Financial Group, established on March 27, 2001 held a 100% ownership of the Bank. Effective November 1, 2014, Woori Finance Holdings Co., Ltd. completed its merger with and into Woori Bank, its wholly-owned subsidiary, as contemplated by the merger agreement dated November 1, 2014, by and between Woori Finance Holdings Co., Ltd. and Woori Bank. Accordingly, the shares of the Bank, 597 million shares, prior to the merger, were reduced to nil in accordance with capital reduction procedure, and then, in accordance with the merger ratio, the Bank newly issued 676 million shares. As a result, as of September 30, 2017, the common stock of the Bank amounts, expressed in Korean Won (the “KRW” or “Won”), to 3,381,392 million Won.

During the year ended December 31, 2016, the Korea Deposit Insurance Corporation (“KDIC”), the majority shareholder of the Bank, sold its 187 million shares in the Bank in accordance with the contract of “Disposal of Woori Bank’s shares to Oligopolistic Shareholders”. In addition to the sale, during the nine months ended September 30, 2017, KDIC sold additional 33 million shares. As of September 30, 2017 and December 31, 2016, KDIC held 125 million shares and 158 million shares (18.52% and 23.37% ownership interest) respectively, of the Bank’s shares issued.

On June 24, 2002, Woori Finance Holdings Co., Ltd. listed its common shares on the Korea Exchange through public offering. In addition, on September 29, 2003, the holding company registered with the Securities and Exchange Commission in the United States of America and, on the same day, listed its American Depositary Shares on the New York Stock Exchange. As a result of such merger, the Bank incorporated Woori Card Co., Ltd., Woori Investment Bank Co., Ltd., Woori FIS Co., Ltd., Woori Private Equity Asset Management Co., Ltd., and Woori Finance Research Institute Co., Ltd. as its subsidiaries.

The head office of the Bank is located in 51, Sogong-ro, Jung Gu, Seoul, Korea. The Bank has 875 branches and offices in Korea, and 23 branches and offices overseas as of September 30, 2017.

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

Subsidiaries	Main business	Percentage of ownership (%)		Location	Financial statements as of (2017)
		September 30, 2017	December 31, 2016		
Woori Bank:					
Woori FIS Co., Ltd.	System software development & maintenance	100.0	100.0	Korea	September 30
Woori Private Equity Asset Management Co., Ltd.	Finance	100.0	100.0	Korea	September 30
Woori Finance Research Institute Co., Ltd.	Other service business	100.0	100.0	Korea	September 30
Woori Card Co., Ltd.	Finance	100.0	100.0	Korea	September 30
Woori Investment Bank Co., Ltd.	Other credit finance business	58.2	58.2	Korea	September 30
Woori Credit Information Co., Ltd.	Credit information	100.0	100.0	Korea	September 30
Woori America Bank	Finance	100.0	100.0	U.S.A.	September 30
Woori Global Markets Asia Limited	“	100.0	100.0	Hong Kong	September 30

Subsidiaries	Main business	Percentage of ownership (%)		Location	Financial statements as of (2017)
		September 30, 2017	December 31, 2016		
Woori Bank (China) Limited	Finance	100.0	100.0	China	September 30
AO Woori Bank	"	100.0	100.0	Russia	September 30
PT Bank Woori Saudara Indonesia 1906 Tbk(*1)	"	79.9	74.0	Indonesia	September 30
Banco Woori Bank do Brasil S.A.	"	100.0	100.0	Brazil	September 30
Korea BTL Infrastructure Fund	"	99.9	99.9	Korea	September 30
Woori Fund Service Co., Ltd.	"	100.0	100.0	Korea	September 30
Woori Finance Cambodia PLC.	"	100.0	100.0	Cambodia	September 30
Woori Finance Myanmar Co., Ltd.	"	100.0	100.0	Myanmar	September 30
Wealth Development Bank	"	51.0	51.0	Philippines	September 30
Woori Bank Vietnam Limited	"	100.0	100.0	Vietnam	September 30
Kumho Trust First Co., Ltd. (*2)	Asset securitization	0.0	0.0	Korea	September 30
Asiana Saigon Inc. (*2)	"	0.0	0.0	Korea	September 30
An-Dong Raja First Co., Ltd. (*6)	"	-	0.0	Korea	September 30
Consus Eighth Co., LLC (*2)	"	0.0	0.0	Korea	September 30
KAMCO Value Recreation First Securitization Specialty Co., Ltd. (*2)	"	15.0	15.0	Korea	September 30
Hermes STX Co., Ltd. (*2)	"	0.0	0.0	Korea	September 30
BWL First Co., LLC (*2)	"	0.0	0.0	Korea	September 30
Woori Poongsan Co., Ltd. (*2)	"	0.0	0.0	Korea	September 30
Deogi Dream Fourth Co., Ltd. (*2)	"	0.0	0.0	Korea	September 30
Jeonju Iwon Ltd. (*2)	"	0.0	0.0	Korea	September 30
Wonju I one Inc. (*2)	"	0.0	0.0	Korea	September 30
Heitz Third Co., Ltd. (*2)	"	0.0	0.0	Korea	September 30
Woorihansoop 1st Co., Ltd. (*2)	"	0.0	0.0	Korea	September 30
Electric Cable First Co., Ltd (*2)	"	0.0	0.0	Korea	September 30
Woori International First Co., Ltd. (*2)	"	0.0	0.0	Korea	September 30
Woori HJ First Co., Ltd. (*2)	"	0.0	0.0	Korea	September 30
Woori WEBST 1st Co., Ltd. (*2)	"	0.0	-	Korea	September 30
HNLD 1st Inc. (*2)	"	0.0	-	Korea	September 30
Wibihansoop 1st Co., Ltd. (*2)	"	0.0	-	Korea	September 30
Uri QS 1st Co., Ltd (*2)	"	0.0	-	Korea	September 30
Uri Display 1st Co., Ltd. (*2)	"	0.0	-	Korea	September 30
Tiger Eyes 2nd Co., Ltd. (*2)	"	0.0	-	Korea	September 30
Samsung Plus Private Equity Investment Trust 36th and 22 beneficiary certificates for the rest (*3)	Securities investment and others	-	-	Korea	September 30
Principle Guaranteed Trust (*4)	Trust	0.0	0.0	Korea	September 30
Principle and Interest Guaranteed Trust (*4)	"	0.0	0.0	Korea	September 30
Woori Bank and Woori Private Equity Asset Management Co., Ltd.:					
Woori Private Equity Fund (*5)	Other financial business	-	31.9	Korea	September 30
Woori Private Equity Fund:					
Woori EL Co., Ltd. (*5)	Other financial business	-	100.0	Korea	September 30
Woori Investment Bank:					
Dongwoo First Securitization Specialty Co., Ltd. (*2)	Asset securitization	5.0	5.0	Korea	September 30
Seari First Securitization Specialty Co., Ltd. (*2)	"	5.0	-	Korea	September 30
Namjong 1st Securitization Specialty Co., Ltd. (*2)	"	5.0	-	Korea	September 30
Woori Card Co., Ltd.:					
TUTU Finance-WCI Myanmar Co., Ltd	Finance	100.0	100.0	Myanmar	September 30
Woori Card one of 2017-1 Securitization Specialty Co., Ltd. (*2)	Asset securitization	0.5	-	Korea	September 30

(*1) The ownership ratio has been increased, attributed to unequal capital increase of the subsidiary.

(*2) The entity was a structured entity for the purpose of asset securitization and was in scope for consolidation. Although the Group is not a majority shareholder, the Group 1) had the power over the investee, 2) was exposed, or had rights, to variable returns from its involvement with the investee, and 3) had the ability to use its power to affect its returns.

- (*3) The entity was a structured entity for the purpose of investment in securities and was in scope for consolidation, considering that the Group 1) had the power over the investee, 2) was exposed, or has rights, to variable returns from its involvement with the investee, and 3) had the ability to use its power to affect its returns.
- (*4) The entity was a money trust under the Financial Investment Services and Capital Markets Act and was in scope for consolidation. Although the Group was not a majority shareholder, the Group 1) had the power over the investee, 2) was exposed, or had rights, to variable returns from its involvement with the investee, and 3) had the ability to use its power to affect its returns.
- (*5) Due to return of capital invested occurred during the nine months ended September 30, 2017, both capital stock and the number of shares became nil. Residual net assets will be distributed in proportion to ownership interests.
- (*6) Due to liquidation for the nine months ended as of September 30, 2017, the entity was excluded from the scope for consolidation.

- (3) As of September 30, 2017, and December 31, 2016, despite having more than a 50% ownership interest, the Group has not consolidated the following companies as the Group does not have the ability to control following subsidiaries:

Subsidiaries	As of September 30, 2017		
	Location	Main business	Percentage of ownership (%)
Golden Bridge NHN Online Private Equity Investment (*)	Korea	Securities Investment	60.0
Mirae Asset Maps Clean Water Private Equity Investment Trust 7th (*)	Korea	Securities Investment	59.7
Kiwoom Yonsei Private Equity Investment Trust (*)	Korea	Securities Investment	88.9
Hana Walmart Real Estate Investment Trust 41-1(*)	Korea	Securities Investment	77.0

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

Subsidiaries	As of December 31, 2016		
	Location	Main business	Percentage of ownership (%)
Golden Bridge NHN Online Private Equity Investment (*)	Korea	Securities Investment	60.0
Mirae Asset Maps Clean Water Private Equity Investment Trust 7th (*)	Korea	Securities Investment	59.7
Kiwoom Yonsei Private Equity Investment Trust (*)	Korea	Securities Investment	88.9
Kiwoom Frontier Professional Investment Private Fund 6(Bond) (*)	Korea	Securities Investment	50.0

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

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

	As of and for the nine months ended September 30, 2017				
	Assets	Liabilities	Operating revenue	Net income (loss) attributable to owners	Comprehensive income (loss) attributable to owners
Woori FIS Co., Ltd.	95,497	59,583	185,862	406	406
Woori Private Equity Asset Management Co., Ltd.	43,113	2,249	6,996	(3,403)	(3,434)
Woori Finance Research Institute Co., Ltd.	4,616	736	4,258	512	504
Woori Card Co., Ltd.	8,671,596	7,064,054	1,285,385	81,333	82,576
Woori Investment Bank Co., Ltd.	2,016,621	1,828,201	142,970	15,579	16,358
Woori Credit Information Co., Ltd.	32,270	5,028	22,802	953	870
Woori America Bank	2,056,706	1,762,696	61,031	11,293	2,124
Woori Global Markets Asia Limited	290,025	170,884	7,370	1,159	(5,286)
Woori Bank (China) Limited	5,002,274	4,478,421	295,639	9,084	6,647
AO Woori Bank	214,735	160,288	11,886	3,488	3,062
PT Bank Woori Saudara Indonesia 1906 Tbk	2,363,036	1,854,080	145,535	27,799	4,820
Banco Woori Bank do Brasil S.A.	199,452	163,714	16,029	1,571	552
Korea BTL Infrastructure Fund	786,511	301	22,656	19,919	19,919
Woori Fund Service Co., Ltd.	12,219	1,031	6,712	1,175	1,175
Woori Finance Cambodia PLC.	43,196	23,407	4,097	1,052	885

	As of and for the nine months ended September 30, 2017				
	Assets	Liabilities	Operating revenue	Net income (loss) attributable to owners	Comprehensive income (loss) attributable to owners
Woori Finance Myanmar Co., Ltd.	18,927	5,387	1,658	501	627
Wealth Development Bank	192,043	155,878	10,260	1,333	833
Woori Bank Vietnam Limited	695,263	539,606	22,410	4,458	(3,289)
Money trust under the FISCMA Act (*)	1,559,927	1,530,440	34,718	157	157
Structured entity for the securitization of financial assets	830,013	1,241,198	17,545	1,491	(2,434)
Structured entity for the investments in securities	1,701,265	125,483	48,176	20,066	4,328

(*) FISCMA Act: Financial Investment Services and Capital Markets Act

	As of and for the year ended December 31, 2016				
	Assets	Liabilities	Operating revenue	Net income (loss) attributable to owners	Comprehensive income (loss) attributable to owners
Woori FIS Co., Ltd.	141,329	105,821	244,783	1,048	1,432
Woori Private Equity Asset Management Co., Ltd.	97,338	53,244	2,154	312	219
Woori Finance Research Institute Co., Ltd.	3,710	334	4,445	108	100
Woori Card Co., Ltd.	7,606,108	6,180,893	1,555,373	109,393	116,381
Woori Investment Bank Co., Ltd.	1,576,627	1,404,566	178,572	23,872	23,897
Woori Credit Information	31,292	4,416	27,884	543	618
Woori America Bank	2,186,049	1,973,263	73,909	15,266	20,899
Woori Global Markets Asia Limited	272,008	147,581	7,255	1,863	5,582
Woori Bank (China) Limited	4,984,017	4,466,812	475,174	32,025	11,505
AO Woori Bank	239,860	188,474	16,221	5,650	15,553
PT Bank Woori Saudara Indonesia 1906 Tbk	2,089,822	1,693,111	179,014	24,573	48,542
Banco Woori Bank do Brasil S.A.	241,229	206,043	17,059	2,786	9,600
Korea BTL Infrastructure Fund	784,770	299	33,476	29,617	29,617
Woori Fund Service Co., Ltd.	11,386	1,372	7,787	1,011	1,011
Woori Finance Cambodia PLC.	32,405	24,751	4,545	1,250	1,494
Woori Finance Myanmar Co., Ltd.	4,305	2,651	380	(613)	(569)
Wealth Development Bank	209,779	174,446	12,519	1,248	1,876
Woori Bank Vietnam Limited	159,223	278	-	(346)	3,545
Money trust under the FISCMA Act (*)	1,525,145	1,495,815	55,540	697	697
Structured entity for the securitization of financial assets	487,431	895,824	29,480	6,912	7,138
Structured entity for the investments in securities	4,397,163	1,898,977	137,896	56,605	61,535

(*) FISCMA Act: Financial Investment Services and Capital Markets Act

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

- Structured entity for the securitization of financial assets

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

- Structured entity for the investments in securities

The structured entity is established for the purpose of investments in securities. The Group acquires beneficiary certificates through its contribution of fund to the structured entity, and it is exposed to the

risk that it may not be able to recover its fund depending on the result of investment performance of asset managers of the structured entity.

- Money trust under the Financial Investment Services and Capital Markets Act

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

- (6) The details of the limitations with regard to the transfer of assets or the redemption of liabilities within the Group are provided below.

Some subsidiaries are regulated by the rules of the jurisdictions, in which they were incorporated, with regard to funding or management of deposits. Also, there is the limitation that they must have pre-approval from their regulators in case of remittance of earnings to the Bank.

- (7) The Group has entered into various agreements with structured entities such as asset securitization vehicles, structured finance and investment funds, and monetary funds. Where it is determined in accordance with K-IFRS 1110 that the Group has no controlling power over such structured entities, the entities are not consolidated. The nature of interests, which the Group retains, and the risks, to which the Group is exposed, of the unconsolidated structured entities are as follows:

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

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

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

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

Total assets of the unconsolidated structured entities, the carrying value of the related items recorded, the maximum exposure to risks, and the loss recognized in conjunction with the unconsolidated structured entities as of September 30, 2017 and December 31, 2016 are as follows (Unit: Korean Won in millions):

	September 30, 2017		
	Asset securitization vehicle	Structured finance	Investment Funds
Total asset of the unconsolidated structured entities	6,749,481	48,581,405	15,685,071
Assets recognized in the consolidated financial statements related to the unconsolidated structured entities	3,265,065	2,245,524	1,422,240
Loans and receivables	43,005	1,936,632	-
Financial assets at fair value through profit or loss	-	194,828	13,040
Available-for-sale financial assets	926,261	109,070	1,192,410
Held-to-maturity financial assets	2,295,236	-	-
Investments in joint ventures and associates	-	-	216,790
Derivative assets	563	4,994	-
Liabilities recognized in the consolidated financial statements related to the unconsolidated structured entities	1,825	1,417	-
Derivative liabilities	340	565	-
Other liabilities (including provisions)	1,485	852	-
The maximum exposure to risks	4,032,834	3,097,300	1,422,240
Investments	3,265,065	2,245,524	1,422,240
Credit facilities	767,769	851,776	-
Loss recognized on unconsolidated structured entities	512	5,919	5,083

	December 31, 2016		
	Asset securitization vehicle	Structured finance	Investment Funds
Total asset of the unconsolidated structured entities	8,426,713	61,324,862	9,131,362
Assets recognized in the consolidated financial statements related to the unconsolidated structured entities	3,361,910	2,790,215	1,749,494
Loans and receivables	65,470	2,414,044	-
Financial assets at fair value through profit or loss	-	254,150	-
Available-for-sale financial assets	1,216,446	115,843	1,664,865
Held-to-maturity financial assets	2,079,648	-	-
Investments in joint ventures and associates	-	-	84,629
Derivative assets	346	6,178	-
Liabilities recognized in the consolidated financial statements related to the unconsolidated structured entities	1,363	1,224	-
Derivative liabilities	201	362	-
Other liabilities (including provisions)	1,162	862	-
The maximum exposure to risks	4,263,993	3,802,210	1,749,494
Investments	3,361,910	2,790,215	1,749,494
Purchase agreements	28,000	-	-
Credit facilities	834,083	970,195	-
Other commitments	40,000	41,800	-
Loss recognized on unconsolidated structured entities	6,353	71,185	683

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

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

	September 30, 2017	December 31, 2016
Woori Investment Bank	80,833	73,986
PT Bank Woori Saudara Indonesia 1906 Tbk	69,608	70,249
Wealth Development Bank	17,721	16,983

2) Net income attributable to non-controlling interests

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Woori Investment Bank	6,520	6,680
PT Bank Woori Saudara Indonesia 1906 Tbk	6,731	4,551
Wealth Development Bank	653	-

3) Dividends to non-controlling interests

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
PT Bank Woori Saudara Indonesia 1906 Tbk	1,513	1,242

2. SIGNIFICANT BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's consolidated financial statements are prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS") 1034, *Interim Financial Reporting*. It is necessary to use the annual financial statements for the year ended December 31, 2016 for understanding of the accompanying interim financial statements.

The significant accounting policies that have been applied for the preparation of the consolidated financial statements as of and for the nine months ended September 30, 2017 are described below, and the significant accounting policies are the same as the accounting policies applied for the preparation of the previous year's consolidated financial statements, except the impacts from the adoptions of accounting standards or interpretations which are explained below.

- (1) The Group has newly adopted the following amendment to K-IFRS that affected the Group's accounting policies.

Amendments to K-IFRS 1007 – Statement of Cash Flows

The amendments require that changes in liabilities arising from financial activities are disclosed. The adoption of the amendments has no material impact on the Group's consolidated financial statements.

Amendments to K-IFRS 1012 – Income Taxes

The amendments clarify that unrealized losses on fixed-rate debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the holder expects to recover the carrying amount of the debt instrument by sale or by use and that the estimate of probable future taxable profit may include the recovery of some of assets for more than their carrying amount. When the Group assesses whether there will be sufficient taxable profit, the Group should compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. The adoption of the amendments has no material impact on the Group's consolidated financial statements.

- (2) The Group has not applied the following K-IFRSs that have been issued but are not yet effective:

Enactments to K-IFRS 1109 – Financial Instruments

The enactments to K-IFRS 1109 contain the requirements for the classification and measurement of financial assets and financial liabilities based on a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and based on the contractual terms that give rise on specified dates to cash flows, impairment methodology based on the expected credit losses, and broadened types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting and the change of the hedge effectiveness test. K-IFRS 1109 – *Financial Instruments* which was enacted on September 25, 2015 will be applied for annual periods beginning on or after 1 January 2018 or may be applied earlier. This standard will supersede K-IFRS 1039-*Recognition and Measurement of Financial Instruments*. By the way, the Group will apply K-IFRS 1109 for annual periods beginning on or after 1 January 2018.

In addition, K-IFRS 1109 includes certain exceptions to the classification and measurement of financial assets and the retroactive restatement for classification and measurement of financial assets, impairment of financial assets; and hedge accounting.

The Group evaluated the potential effect to the financial statement as of June 30, 2017 based on the present situation as of September 30, 2017 and the available information for evaluating the financial effect by initial adoption of K-IFRS 1109 preliminarily. The effect to the financial statement for the initial adopted fiscal year depends on not only the selection and decision of the accounting policies by this standard but also the financial instrument which the Group holds for the period and economic situation and so on.

Meanwhile, the typical financial impacts per each major requirements under the Standard that are expected to be applicable are as follows:

Phase 1: Classification and measurement of financial assets and financial liabilities

All recognized financial assets that are currently within the scope of K-IFRS 1109 will be subsequently measured either at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL) under K-IFRS 1109 based on the business model and the nature of the contractual cash flows. And if the hybrid contracts contains the financial assets as the host contract, embedded derivative will not be separated, they will be classified as a whole, specifically:

	The business model		
	Objective is to collect the contractual cash flows	Objective is achieved both by collecting the contractual cash flows and selling financial assets	Objective is to sell financial assets and so on
The nature of contractual cash flows			
Contractual cash flows that are solely payment of principal and interest	Measured at amortized cost(*1)	Measure at FVOCI(*1)	Measure at FVTPL
Other than the above	Measure at FVTPL(*2)	Measure at FVTPL(*2)	Measure at FVTPL(*2)

(*1) For eliminating or reducing accounting discrepancies, an irrevocable election can be made at initial recognition to measure the investment at FVTPL.

(*2) For the equity securities which are traded for the purpose other than short-term trading, an irrevocable election can be made at initial recognition to measure the investment at FVOCI.

Under K-IFRS 1109, as it is more strictly required to classify to the financial assets measured at amortized cost or fair value through OCI compared to under current K-IFRS 1039, when adopting the K-IFRS 1109, the volatility of net income can be expanded by the increasing portion of the financial asset measured at FVTPL. In accordance with K-IFRS 1109, the debt instruments only which occur the cash flow that is composed of solely the principal and the interest on the remaining principal at specified dates by the contract, whose purpose is to receive the cash flow under the contract can be measured at amortized cost. In accordance with K-IFRS 1039, the Group shall measure loans and receivables amounting to 265,148,624 million Won and held-to-maturity financial assets amounting to 15,144,766 million Won as of June 30, 2017 as amortized cost, and among these, 24,585 million Won of debt instruments, whose host contracts are debt securities and which separated the embedded derivatives from the hybrid contracts is included.

Based on the result of the preliminary effect evaluation, if K-IFRS 1109 adopt to the above financial assets as of June 30, 2017, as they almost occur the cash flow that is composed of solely the principal and the interest on the remaining principal at specified dates by the contract, whose purpose is to receive the cash flow under the contract, so they can be measure at amortized cost and there is no material effect to the financial statement. However, for debt securities as the host contract of hybrid contract amounting to 24,585 million Won, as the cash flow under the contract is not composed of solely the principal and the interest on the remaining principal, it will be classified to the financial asset measured at FVTPL.

In accordance with K-IFRS 1109, the debt instruments only which occur the cash flow that is composed of solely the principal and the interest on the remaining principal at specified dates by the contract, whose purpose is to receive the cash flow under the contract and sell itself can be measure at FVOCI. In accordance

with K-IFRS 1039, the Group hold debt instruments as available-for-sale assets amounting to 15,123,734 million Won as of June 30, 2017.

Based on the result of the preliminary effect evaluation, if K-IFRS 1109 adopt to the above AFS financial assets as of June 30, 2017, they almost can be classified to financial asset measured at FVOCI. However, for beneficiary certificates amounting to 3,045,406 million Won, other equity investment amounting to 297,115 million Won and debt securities amounting to 109,873 million Won, as the cash flows of those are not composed of solely the principal and the interest on the remaining principal, they may be classified to financial assets measured at FVTPL. As a result, the volatility of net income can be expanded.

In accordance with K-IFRS 1109, an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income, and the amounts should not be recycled to profit or loss. In accordance with K-IFRS 1039, the Group holds equity investments that are classified as available-for-sale financial assets amounting to 1,156,914 million Won as of June 30, 2017.

The Group is reviewing the designation of the financial asset measured at FVOCI among the available for sale equity securities.

One major change from K-IFRS 1039 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of that liability. Under K-IFRS 1109, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. In accordance with K-IFRS 1039, the Group holds financial liabilities designated as at FVTPL 616,177 million Won as of June 30, 2017.

Based on the result of the preliminary effect evaluation, the variance amount due to the effect of accumulated credit risk variance among the total variance of financial liabilities designated as at FVPTL is 15,893 million Won.

Phase 2: Impairment methodology

The impairment model under K-IFRS 1109 reflects expected credit losses. Under the impairment approach in K-IFRS 1109, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

In accordance with K-IFRS 1109, the allowance for doubtful receivables is measured at the amount equivalent to the expected 12-month credit loss or the lifetime expected credit loss, depending on the degree of deterioration of the credit risk after the initial recognition of the financial asset. As a result, the credit loss can be earlier than under occurred loss model of current K-IFRS 1039.

	Stage 1	Stage 2	Stage 3
Stage	In case the exposure's credit risk has not increased significantly since initial recognition(*)	In case the exposure has suffered a significant increase in credit risk	In case the exposure meets the accounting definition of credit impaired
Allowance recognition	The Group recognizes only 12-month expected credit losses as a loss allowance	The Group recognizes a loss allowance equal to lifetime expected credit losses	

(*) It can be considered that the credit risk dose not increase significantly when the credit risk is low at the year-end.

Meanwhile, K-IFRS 1109 requires that, an entity shall only recognize the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

Based on the result of the preliminary effect evaluation, the allowance for credit losses will increase by 265,178 million Won and the total amount of the allowance for credit losses is expected to be 2,263,725 million Won as of June 30, 2017. The details of credit losses are as follows (Unit: Korean Won in millions):

		June 30, 2017	Allowance for credit losses (K-IFRS 1109)
Loans and receivables	Stage 1	272,557,218	629,798
	Stage 2	11,600,372	471,929
	Stage 3	1,992,502	856,697
Provisions	Stage 1	92,292,965	116,161
	Stage 2	1,252,584	45,478
	Stage 3	292,308	143,662

The BIS is expected to be 15.33% which increased by 0.04% as of June 30, 2017. The result of preliminary effect evaluation can be changed according to the additional available information for the future and the relevant decision making.

Phase 3: Hedge accounting

The general hedge accounting requirements of K-IFRS 1109 is relaxed compared to under hedge accounting mechanisms in K-IFRS 1039. Greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and hedged items that are eligible for hedge accounting. In addition, the quantitative criteria (80~125%) for the highly hedge effectiveness is abolished and retrospective assessment of hedge effectiveness is no longer required. So it enable the company to focus on the risk management activities.

Enactments to K-IFRS 1115 – *Revenue from Contracts with Customers*

The core principle under K-IFRS 1115 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments introduces a 5-step approach to revenue recognition and measurement: 1) Identify the contract with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to the performance obligations in the contract, 5) Recognize revenue when (or as) the entity satisfies a performance obligation. This standard will supersede K-IFRS 1011 - Construction Contracts, K-IFRS 1018-Revenue, K-IFRS 2113 - Customer Loyalty Programmes, K-IFRS 2115-Agreements for the Construction of Real Estate, K-IFRS 2118 - Transfers of Assets from Customers, and K-IFRS 2031-Revenue-Barter Transactions Involving Advertising Services. The amendments are effective for annual periods beginning on or after 1 January 2018.

Enactments to K-IFRS 2122 – *Foreign Currency Transactions and Advance Consideration*

The amendments clarify that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The amendments are effective for annual periods beginning on or after 1 January 2018.

Annual Improvements to K-IFRS 2014-2016 Cycle

The amendments clarify that in applying the equity method of accounting to an associate or a joint venture in accordance with K-IFRS 1028, an investor, such as venture capital investment vehicle, may apply fair value

measurement selectively to each of its associate or joint venture, as well as certain amendments for K-IFRS 1101. The amendments are effective for annual periods beginning on or after 1 January 2018.

The Group is in the process of evaluating the impact on the consolidated financial statements upon the adoption of amendments of K-IFRSs that have been issued but are not yet effective.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

The significant judgments which management has made about the application of the Group's accounting policies and key sources of uncertainty in estimate do not differ from those used in preparing the consolidated financial statements for the year ended December 31, 2016.

4. RISK MANAGEMENT

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

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

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

(1) Credit risk

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

1) Credit risk management

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

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

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

2) Maximum exposure to credit risk

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

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

	September 30, 2017	December 31, 2016
Loans and receivables:		
Korean treasury and government agencies	12,916,316	16,058,305
Banks	24,462,247	20,242,260
Corporates	91,776,567	88,985,566
Consumers	137,816,942	133,106,502
Sub-total	266,972,072	258,392,633
Financial assets at fair value through profit or loss ("FVTPL"):		
Gold banking assets	26,305	26,180
Debt securities held for trading	2,671,171	2,644,916
Financial assets designated at FVTPL	6,475	4,348
Derivative assets for trading	1,849,389	2,898,295
Sub-total	4,553,340	5,573,739
Available-for-sale ("AFS") debt securities	14,565,512	16,541,888
Held-to-maturity ("HTM") securities	16,325,482	13,910,251
Derivative assets for hedging	109,828	140,577
Off-balance accounts :		
Guarantees	13,290,358	14,761,784
Loan commitments	82,058,484	83,795,496
Sub-total	95,348,842	98,557,280
Total	397,875,076	393,116,368

a) Credit risk exposure by geographical areas

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

	September 30, 2017						
	Korea	China	USA	UK	Japan	Others (*)	Total
Loans and receivables	250,347,708	4,132,193	2,834,235	1,101,804	451,636	8,104,496	266,972,072
Financial assets at FVTPL	4,385,884	3,512	-	121,675	94	42,175	4,553,340
AFS debt securities	13,905,961	34,434	138,372	-	-	486,745	14,565,512
HTM securities	16,182,448	-	58,969	-	-	84,065	16,325,482
Derivative assets	29,579	-	-	80,249	-	-	109,828
Off-balance accounts	93,284,545	721,869	167,844	72,917	37,412	1,064,255	95,348,842
Total	378,136,125	4,892,008	3,199,420	1,376,645	489,142	9,781,736	397,875,076

	December 31, 2016						
	Korea	China	USA	UK	Japan	Others (*)	Total
Loans and receivables	241,380,250	4,286,018	2,792,088	895,874	323,470	8,714,933	258,392,633
Financial assets at FVTPL	5,205,849	6,525	-	261,547	81	99,737	5,573,739
AFS debt securities	16,155,290	13,845	137,861	-	-	234,892	16,541,888
HTM securities	13,758,863	-	20,336	-	-	131,052	13,910,251
Derivative assets	74,166	-	-	66,342	-	69	140,577
Off-balance accounts	96,245,092	737,513	103,130	80,831	23,250	1,367,464	98,557,280
Total	372,819,510	5,043,901	3,053,415	1,304,594	346,801	10,548,147	393,116,368

(*) Others consist of financial assets in Indonesia, Vietnam, Panama, European countries and others.

b) Credit risk exposure by industries

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

September 30, 2017							
	Service	Manufacturing	Finance and insurance	Construction	Individuals	Others	Total
Loans and receivables	47,622,232	35,089,822	39,492,241	3,839,561	129,932,760	10,995,456	266,972,072
Financial assets at FVTPL	71,716	117,678	3,449,013	6,190	2,939	905,804	4,553,340
AFS debt securities	764,326	30,160	7,513,948	133,875	-	6,123,203	14,565,512
HTM securities	1,358,687	-	10,302,610	285,628	-	4,378,557	16,325,482
Derivative assets	-	-	109,828	-	-	-	109,828
Off-balance accounts	16,648,268	23,389,789	9,633,042	3,844,872	36,625,544	5,207,327	95,348,842
Total	<u>66,465,229</u>	<u>58,627,449</u>	<u>70,500,682</u>	<u>8,110,126</u>	<u>166,561,243</u>	<u>27,610,347</u>	<u>397,875,076</u>
December 31, 2016							
	Service	Manufacturing	Finance and insurance	Construction	Individuals	Others	Total
Loans and receivables	46,040,278	35,652,974	37,711,983	3,789,670	125,558,637	9,639,091	258,392,633
Financial assets at FVTPL	77,198	360,881	4,093,567	24,140	993	1,016,960	5,573,739
AFS debt securities	1,092,279	57,781	9,568,151	63,166	-	5,760,511	16,541,888
HTM securities	1,673,971	-	8,290,451	251,599	-	3,694,230	13,910,251
Derivative assets	-	-	140,577	-	-	-	140,577
Off-balance accounts	18,423,611	26,878,320	9,927,574	4,621,971	33,603,651	5,102,153	98,557,280
Total	<u>67,307,337</u>	<u>62,949,956</u>	<u>69,732,303</u>	<u>8,750,546</u>	<u>159,163,281</u>	<u>25,212,945</u>	<u>393,116,368</u>

3) Credit risk of loans and receivables

The credit exposure of loans and receivables by customer and loan condition is as follows (Unit: Korean Won in millions):

September 30, 2017								
	Korean treasury and government agencies	Banks	Corporates			Sub-total	Consumers	Total
			General business	Small & medium sized enterprise	Project financing and others			
Loans and receivables neither overdue nor impaired	12,918,080	24,478,009	52,053,577	33,452,677	5,927,618	91,433,872	136,886,881	265,716,842
Loans and receivables overdue but not impaired	1,527	-	54,041	82,420	1,060	137,521	812,036	951,084
Impaired loans and receivables	-	-	1,179,710	301,753	69,234	1,550,697	551,665	2,102,362
Total	12,919,607	24,478,009	53,287,328	33,836,850	5,997,912	93,122,090	138,250,582	268,770,288
Allowance for credit losses	3,291	15,762	968,209	339,559	37,755	1,345,523	433,640	1,798,216
Total, net	12,916,316	24,462,247	52,319,119	33,497,291	5,960,157	91,776,567	137,816,942	266,972,072

December 31, 2016								
	Korean treasury and government agencies	Banks	Corporates			Sub-total	Consumers	Total
			General business	Small & medium sized enterprise	Project financing and others			
Loans and receivables neither overdue nor impaired	16,062,399	20,258,860	49,815,352	31,520,617	7,142,440	88,478,409	132,195,005	256,994,673
Loans and receivables overdue but not impaired	-	-	48,294	57,245	-	105,539	765,829	871,368
Impaired loans and receivables	-	-	1,404,568	429,955	208,372	2,042,895	510,793	2,553,688
Total	16,062,399	20,258,860	51,268,214	32,007,817	7,350,812	90,626,843	133,471,627	260,419,729
Allowance for credit losses	4,094	16,600	1,156,000	424,142	61,135	1,641,277	365,125	2,027,096
Total, net	16,058,305	20,242,260	50,112,214	31,583,675	7,289,677	88,985,566	133,106,502	258,392,633

a) Credit quality of loans and receivables

The Group manages credit quality of its loans and receivables, (neither overdue nor impaired, net of allowance) through an internal rating system. Segregation of credit quality is as follows (Unit: Korean Won in millions):

September 30, 2017								
	Korean treasury and government agencies	Banks	Corporates			Sub-total	Consumers	Total
			General business	Small & medium sized enterprise	Project financing and others			
Upper grade (*1)	12,914,611	24,462,247	44,231,984	22,006,654	4,941,394	71,180,032	133,294,693	241,851,583
Lower grade (*2)	178	-	7,410,746	11,260,517	957,541	19,628,804	3,437,984	23,066,966
Total	12,914,789	24,462,247	51,642,730	33,267,171	5,898,935	90,808,836	136,732,677	264,918,549
Value of collateral(*3)	-	477,517	19,719,917	26,898,239	3,011,270	49,629,426	113,930,125	164,037,068

December 31, 2016								
	Korean treasury and government agencies	Banks	Corporates			Sub-total	Consumers	Total
			General business	Small & medium sized enterprise	Project financing and others			
Upper grade (*1)	16,058,288	20,242,260	41,461,420	18,755,963	5,337,033	65,554,416	128,374,017	230,228,981
Lower grade (*2)	17	-	7,941,871	12,550,282	1,763,658	22,255,811	3,680,920	25,936,748
Total	16,058,305	20,242,260	49,403,291	31,306,245	7,100,691	87,810,227	132,054,937	256,165,729
Value of collateral(*3)	-	358,456	18,003,674	25,493,006	3,996,162	47,492,842	111,054,910	158,906,208

(*1) AAA~BBB for corporates, and 1~6 level for consumers

(*2) BBB- ~C for corporates, and 7~10 level for consumers

(*3) The value of collateral held is the recoverable amount used when calculating allowance for credit losses.

Allowances for credit losses, for loans and receivables neither overdue nor impaired, amounting to 798,293 million Won and 828,944 million Won as of September 30, 2017 and as of December 31, 2016, respectively, which are deducted from the loans and receivables above.

b) Aging analysis of loans and receivables

Aging analysis of loans and receivables (overdue but not impaired, net of allowance) is as follows (Unit: Korean Won in millions):

September 30, 2017								
	Korean treasury and government agencies	Banks	Corporates			Sub-total	Consumers	Total
			General business	Small & medium sized enterprise	Project financing and others			
Past due								
Less than 30 days	1,527	-	45,958	46,545	-	92,503	619,857	713,887
30~59 days	-	-	4,070	15,145	-	19,215	91,944	111,159
60~89 days	-	-	1,569	11,879	1,049	14,497	55,699	70,196
Total	1,527	-	51,597	73,569	1,049	126,215	767,500	895,242
Value of collateral (*)	-	-	12,006	59,447	1,060	72,513	585,907	658,420

December 31, 2016								
	Korean treasury and government agencies	Banks	Corporates			Sub-total	Consumers	Total
			General business	Small & medium sized enterprise	Project financing and others			
Past due								
Less than 30 days	-	-	45,255	41,329	-	86,584	584,995	671,579
30~59 days	-	-	1,553	8,933	-	10,486	90,296	100,782
60~89 days	-	-	337	2,123	-	2,460	49,151	51,611
Total	-	-	47,145	52,385	-	99,530	724,442	823,972
Value of collateral (*)	-	-	7,021	45,304	-	52,325	546,164	598,489

(*) The value of collateral held is the recoverable amount used when calculating allowance for credit losses.

Allowances for credit losses, for loans and receivables that are overdue but not impaired, amounting to 55,842 million Won and 47,396 million Won as of September 30, 2017 and December 31, 2016, respectively, which are deducted from the loans and receivables above.

c) Impaired loans and receivables

Impaired loans and receivables, net of allowance are as follows (Unit: Korean Won in millions):

September 30, 2017								
	Korean treasury and government agencies	Banks	Corporates				Consumers	Total
			General business	Small & medium sized enterprise	Project financing and others	Sub-total		
Impaired loans	-	-	624,792	156,551	60,173	841,516	316,765	1,158,281
Value of collateral (*)	-	-	513,049	164,011	38,686	715,746	228,648	944,394

December 31, 2016								
	Korean treasury and government agencies	Banks	Corporates				Consumers	Total
			General business	Small & medium sized enterprise	Project financing and others	Sub-total		
Impaired loans	-	-	661,778	225,045	188,986	1,075,809	327,123	1,402,932
Value of collateral (*)	-	-	482,680	236,954	42,166	761,800	250,583	1,012,383

(*) The value of collateral held is recoverable amount used when calculating allowance for credit losses.

Allowances for credit losses, for impaired loans and receivables amounting to 944,081 million Won and 1,150,756 million Won as of September 30, 2017 and December 31, 2016, respectively, are deducted from the impaired loans and receivables above.

4) Credit quality of debt securities

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

September 30, 2017				
	Financial assets at FVTPL (*)	AFS debt securities	HTM securities	Total
AAA	1,652,163	10,911,826	15,539,139	28,103,128
AA- ~ AA+	796,765	2,742,965	727,801	4,267,531
BBB- ~ A+	222,243	854,669	58,542	1,135,454
Below BBB-	6,475	56,052	-	62,527
Total	2,677,646	14,565,512	16,325,482	33,568,640

December 31, 2016				
	Financial assets at FVTPL (*)	AFS debt securities	HTM securities	Total
AAA	1,658,332	12,490,934	13,342,384	27,491,650
AA- ~ AA+	720,535	3,372,310	466,401	4,559,246
BBB- ~ A+	266,049	618,736	101,466	986,251
Below BBB-	4,348	59,908	-	64,256
Total	2,649,264	16,541,888	13,910,251	33,101,403

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

(2) Market risk

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

1) Market risk management

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

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

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

2) Sensitivity analysis of market risk

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

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

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

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

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

a) Trading activities

The minimum, maximum and average VaR for the nine months ended September 30, 2017 and the year ended December 31, 2016, respectively, and the VaR as of September 30, 2017 and December 31, 2016, respectively, are as follows (Unit: Korean Won in millions):

Risk factor	As of September 30, 2017	For the nine months ended September 30, 2017			As of December 31, 2016	For the year ended December 31, 2016		
		Average	Maximum	Minimum		Average	Maximum	Minimum
Interest rate	3,647	3,806	4,918	2,467	3,250	2,844	6,430	1,367
Stock price	2,656	2,756	4,419	1,192	4,191	3,456	5,063	2,304
Foreign currencies	6,636	4,927	6,636	4,061	4,396	4,914	7,686	3,967
Commodity price	8	39	188	4	152	113	325	21
Diversification	(5,135)	(4,370)	(6,798)	(2,097)	(5,630)	(5,355)	(10,385)	(4,034)
Total VaR	7,812	7,158	9,363	5,627	6,359	5,972	9,119	3,625

b) Non-trading activities

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

	September 30, 2017		December 31, 2016	
	NII	NPV	NII	NPV
Base case	4,540,073	21,619,693	4,367,411	21,556,632
Base case (Prepay)	4,543,372	21,268,573	4,384,783	20,666,425
IR 100bp up	4,952,710	20,973,125	4,802,118	20,893,490
IR 100bp down	4,065,923	22,328,393	3,903,129	22,279,204
IR 200bp up	5,365,426	20,395,129	5,236,879	20,289,742
IR 200bp down	3,150,905	23,075,223	2,975,351	23,052,848
IR 300bp up	5,778,141	19,885,134	5,671,639	19,742,627
IR 300bp down	2,066,550	25,193,281	1,968,273	25,096,193

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

September 30, 2017		December 31, 2016	
EaR	VaR	EaR	VaR
226,693	114,435	188,381	110,335

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

		September 30, 2017						
		Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	Over 5 years	Total
Asset:								
Loans and receivables		151,455,145	40,177,541	9,828,204	7,848,737	58,688,683	39,622,693	307,621,003
AFS financial assets		3,818,471	1,908,621	3,012,472	2,726,214	4,917,436	681,275	17,064,489
HTM financial assets		1,989,977	1,563,189	1,856,937	1,428,804	9,703,133	351,506	16,893,546
Total		<u>157,263,593</u>	<u>43,649,351</u>	<u>14,697,613</u>	<u>12,003,755</u>	<u>73,309,252</u>	<u>40,655,474</u>	<u>341,579,038</u>
Liability:								
Deposits due to customers		103,884,829	36,800,844	30,958,253	16,558,616	37,590,999	763,536	226,557,077
Borrowings		11,353,673	1,092,260	384,534	511,073	2,686,563	459,135	16,487,238
Debentures		1,968,756	1,902,867	2,439,281	1,007,136	18,969,347	3,126,977	29,414,364
Total		<u>117,207,258</u>	<u>39,795,971</u>	<u>33,782,068</u>	<u>18,076,825</u>	<u>59,246,909</u>	<u>4,349,648</u>	<u>272,458,679</u>
		December 31, 2016						
		Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	Over 5 years	Total
Asset:								
Loans and receivables		148,237,350	42,032,667	8,064,502	7,757,087	55,838,192	35,245,734	297,175,532
AFS financial assets		3,165,094	2,946,992	2,854,514	2,915,226	5,029,918	713,596	17,625,340
HTM financial assets		2,770,079	1,515,213	1,246,503	1,143,170	6,853,951	892,030	14,420,946
Total		<u>154,172,523</u>	<u>46,494,872</u>	<u>12,165,519</u>	<u>11,815,483</u>	<u>67,722,061</u>	<u>36,851,360</u>	<u>329,221,818</u>
Liability:								
Deposits due to customers		100,051,821	36,614,529	25,028,378	25,017,836	34,513,004	40,737	221,266,305
Borrowings		13,772,710	1,044,748	491,330	368,431	2,816,565	421,677	18,915,461
Debentures		2,109,235	2,077,681	860,455	1,545,943	14,613,799	4,143,773	25,350,886
Total		<u>115,933,766</u>	<u>39,736,958</u>	<u>26,380,163</u>	<u>26,932,210</u>	<u>51,943,368</u>	<u>4,606,187</u>	<u>265,532,652</u>

3) Currency risk

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

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

September 30, 2017										
	USD		JPY		CNY		EUR		Others	Total
	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Won equivalent	Won equivalent
Asset:										
Loans and receivables	23,358	26,781,114	117,702	1,201,047	25,478	4,391,083	1,397	1,887,641	4,253,671	38,514,556
Financial assets at FVTPL	41	46,622	31	316	-	-	40	53,467	100,593	200,998
AFS financial assets	1,583	1,815,207	-	-	200	34,434	-	623	242,146	2,092,410
HTM financial assets	103	118,255	-	-	-	-	-	-	83,320	201,575
Total	25,085	28,761,198	117,733	1,201,363	25,678	4,425,517	1,437	1,941,731	4,679,730	41,009,539
September 30, 2017										
	USD		JPY		CNY		EUR		Others	Total
	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Won equivalent	Won equivalent
Liability:										
Financial liabilities at FVTPL	53	60,773	89	907	-	-	103	138,974	166,648	367,302
Deposits due to customers	11,213	12,856,184	145,180	1,481,447	22,067	3,803,237	492	665,256	2,025,110	20,831,234
Borrowings	7,069	8,109,736	2,485	25,359	-	-	376	507,789	277,349	8,920,233
Debentures	3,329	3,816,883	-	-	700	120,645	-	-	231,480	4,169,008
Other financial liabilities	4,258	4,882,050	26,481	270,220	3,103	534,804	215	290,838	599,069	6,576,981
Total	25,922	29,725,626	174,235	1,777,933	25,870	4,458,686	1,186	1,602,857	3,299,656	40,864,758
Off-balance accounts	7,482	8,578,993	34,046	347,405	1,163	200,379	359	484,746	896,220	10,507,743
December 31, 2016										
	USD		JPY		CNY		EUR		Others	Total
	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Won equivalent	Won equivalent
Asset:										
Loans and receivables	22,868	27,635,970	108,944	1,129,539	23,194	4,018,678	1,548	1,962,856	4,382,990	39,130,033
Financial assets at FVTPL	66	79,386	57	589	-	-	30	37,562	34,124	151,661
AFS financial assets	898	1,085,108	-	-	80	13,844	-	570	144,799	1,244,321
HTM financial assets	17	20,517	-	-	-	-	-	-	143,535	164,052
Total	23,849	28,820,981	109,001	1,130,128	23,274	4,032,522	1,578	2,000,988	4,705,448	40,690,067
December 31, 2016										
	USD		JPY		CNY		EUR		Others	Total
	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Won equivalent	Won equivalent
Liability:										
Financial liabilities at FVTPL	75	90,908	253	2,621	-	-	88	111,098	115,980	320,607
Deposits due to customers	11,294	13,648,729	124,790	1,293,835	18,950	3,283,291	651	825,165	2,402,076	21,453,096
Borrowings	7,193	8,692,792	3,243	33,625	-	-	222	280,894	115,332	9,122,643
Debentures	2,931	3,541,769	-	-	700	121,282	-	-	228,720	3,891,771
Other financial liabilities	2,235	2,700,703	12,390	128,464	1,508	261,278	245	310,396	846,990	4,247,831
Total	23,728	28,674,901	140,676	1,458,545	21,158	3,665,851	1,206	1,527,553	3,709,098	39,035,948
Off-balance accounts	8,593	10,384,163	28,675	297,304	1,061	183,883	374	473,845	312,187	11,651,382

(3) Liquidity risk

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

1) Liquidity risk management

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

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

2) Maturity analysis of non-derivative financial liabilities

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

		September 30, 2017					
		Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	Over 5 years
							Total
Financial liabilities at							
FVTPL		359,136	1,136	164,838	154	-	-
Deposits due to customers		143,496,208	30,459,337	24,686,041	20,212,631	7,580,824	3,391,357
Borrowings		7,032,096	2,551,909	1,143,290	1,546,901	3,866,643	459,109
Debentures		1,968,651	1,902,178	2,439,799	988,275	18,969,720	3,126,985
Other financial liabilities		16,221,274	162,980	1,809	750	153,855	2,818,101
Total		<u>169,077,365</u>	<u>35,077,540</u>	<u>28,435,777</u>	<u>22,748,711</u>	<u>30,571,042</u>	<u>295,705,987</u>

		December 31, 2016					
		Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	Over 5 years
							Total
Financial liabilities at							
FVTPL		678,813	1,529	94	47	154,325	-
Deposits due to customers		136,835,315	28,685,473	19,254,108	30,875,962	6,284,092	2,732,019
Borrowings		9,146,895	2,355,336	876,836	1,486,710	4,711,273	420,720
Debentures		2,108,780	2,077,387	860,596	1,518,524	14,641,016	4,116,768
Other financial liabilities		14,813,948	27,544	5,480	1,433	84,792	2,751,825
Total		<u>163,583,751</u>	<u>33,147,269</u>	<u>20,997,114</u>	<u>33,882,676</u>	<u>25,875,498</u>	<u>287,507,640</u>

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

		September 30, 2017					
		Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	Over 5 years
							Total
Financial liabilities at							
FVTPL		359,136	1,136	164,838	154	-	525,264
Deposits due to customers		155,450,482	31,646,245	20,092,451	12,807,269	6,460,318	229,442,291
Borrowings		7,032,096	2,551,909	1,143,290	1,546,901	3,866,643	16,599,948
Debentures		1,968,651	1,902,178	2,439,799	988,275	18,969,720	29,395,608
Other financial liabilities		16,221,274	162,980	1,809	750	153,855	19,358,769
Total		<u>181,031,639</u>	<u>36,264,448</u>	<u>23,842,187</u>	<u>15,343,349</u>	<u>29,450,536</u>	<u>295,321,880</u>

		December 31, 2016					
		Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	Over 5 years
							Total
Financial liabilities at							
FVTPL		678,813	1,529	94	47	154,325	834,808
Deposits due to customers		148,089,355	30,163,971	17,600,803	20,947,335	5,128,387	224,261,844
Borrowings		9,146,901	2,355,332	876,835	1,486,710	4,711,273	18,997,770
Debentures		2,108,780	2,077,387	860,596	1,518,524	14,641,016	25,323,071
Other financial liabilities		14,813,948	27,544	5,480	1,433	84,792	17,685,022
Total		<u>174,837,797</u>	<u>34,625,763</u>	<u>19,343,808</u>	<u>23,954,049</u>	<u>24,719,793</u>	<u>287,102,515</u>

- 3) Maturity analysis of derivative financial liabilities is as follows (Unit: Korean Won in millions):

Derivatives held for trading purpose are not managed in accordance with their contractual maturity, as the Group holds such financial instruments with the purpose of disposing or redemption before their maturity. As such, those derivatives are incorporated as “within 3 months” in the table below. The cash flow from derivatives held for hedge purpose is estimated at the amount after the offset of the cash inflow and outflow.

The cash flow by the maturity of derivative financial liabilities as of September 30, 2017 and December 31, 2016 as follows:

		Remaining maturity					
		Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	Over 5 years
							Total
September 30, 2017		2,008,539	-	-	-	28,608	2,037,147
December 31, 2016		3,009,977	-	-	208	7,013	3,017,198

- 4) Maturity analysis of off-balance accounts

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

	September 30, 2017	December 31, 2016
Guarantees	13,290,358	14,761,784
Loan commitments	82,058,484	83,795,496

(4) Operational risk

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

1) Operational risk management

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

2) Operational risk measurement

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

(5) Capital management

The Group complies with the standard of capital adequacy provided by financial regulatory authorities. The capital adequacy ratio is based on Basel III of Basel Committee on Banking Supervision and Basel III was applied from the end of December, 2013. The capital adequacy ratio is calculated by dividing own capital by asset (weighted with a risk premium – risk weighted assets) based on the consolidated financial statements of the Group.

According to the above regulations, the Group is required to meet the following new minimum requirements: 6.25% and 5.38%, a minimum Tier 1 ratio of 7.75% and 6.88% and a minimum total regulatory capital of 9.75% and 8.88% as of September 30, 2017 and December 31, 2016.

The details are as follows (Unit: Korean won in millions):

	September 30, 2017	December 31, 2016
Tier 1 capital	16,447,709	15,714,480
Other Tier 1 capital	3,034,556	3,275,496
Tier 2 capital	3,458,324	3,910,513
Total risk-adjusted capital	22,940,589	22,900,489
Risk-weighted assets for credit risk	138,781,075	138,018,500
Risk-weighted assets for market risk	2,497,170	2,277,809
Risk-weighted assets for operational risk	9,676,775	9,431,814
Total risk-weighted assets	150,955,020	149,728,123
Common Equity Tier 1 ratio	10.90%	10.50%
Tier 1 capital ratio	12.91%	12.68%
Total capital ratio	15.20%	15.29%

5. OPERATING SEGMENTS

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

(1) Segment by type of customers

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

- Consumer banking: Loans/deposits and financial services for consumer, etc.
- Corporate banking: Loans/deposits and export/import, financial services for corporations, etc.
- Investment banking: Domestic/foreign investment, structured finance, M&A, Equity & fund investment related business, venture advisory related tasks, real estate SOC development practices, etc.
- Capital market: Fund management, investment in securities and derivatives, etc.
- Credit card: Credit card, cash service and card loan, etc.
- Headquarter and others: Segments that do not belong to above operating segments

1) The details of assets and liabilities by each segment are as follows (Unit: Korean Won in millions):

September 30, 2017									
	Consumer banking	Corporate banking	Investment banking	Capital market	Credit card	Headquarters and others	Sub-total	Adjustment	Total
Assets	107,890,261	105,315,489	6,194,121	11,341,530	8,671,596	84,505,699	323,918,696	(6,043,534)	317,875,162
Liabilities	74,336,238	154,285,396	55,651	10,186,345	7,064,054	51,144,639	297,072,323	185,871	297,258,194

December 31, 2016									
	Consumer banking	Corporate banking	Investment banking	Capital market	Credit card	Headquarters and others	Sub-total	Adjustment	Total
Assets	105,931,025	104,937,198	6,337,634	8,111,230	7,606,108	82,840,235	315,763,430	(5,080,703)	310,682,727
Liabilities	62,294,922	162,937,921	55,785	7,287,850	6,180,893	51,137,220	289,894,591	242,183	290,136,774

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

For the nine months ended September 30, 2017									
	Consumer banking	Corporate banking	Investment banking	Capital market	Credit Cards	Headquarters and others	Sub-total	Adjustmen ts	Total
Net Interest income	1,235,409	1,316,262	7,687	25,730	342,750	534,862	3,462,700	439,176	3,901,876
Interest income	2,332,134	2,196,051	108,570	14,328	442,903	1,053,361	6,147,347	230,066	6,377,413
Interest expense	(717,708)	(1,238,742)	(186)	-	(100,153)	(627,858)	(2,684,647)	209,110	(2,475,537)
Inter-segment	(379,017)	358,953	(100,697)	11,402	-	109,359	-	-	-
Net non-interest income	489,100	444,412	119,512	29,638	54,673	335,607	1,472,942	(568,216)	904,726
Non-interest income	598,446	503,820	272,024	6,155,339	836,721	1,801,968	10,168,318	(195,768)	9,972,550
Non-interest expense	(182,815)	(104,265)	(152,512)	(6,125,701)	(782,048)	(1,348,035)	(8,695,376)	(372,448)	(9,067,824)
Inter-segment	73,469	44,857	-	-	-	(118,326)	-	-	-
Other income(expense)	(1,407,860)	(859,872)	6,571	9,047	(286,093)	(606,366)	(3,144,573)	139,887	(3,004,686)
Administrative expense	(1,337,680)	(618,969)	(8,434)	(11,309)	(118,846)	(741,176)	(2,836,414)	189,362	(2,647,052)
Impairment losses due to credit loss and others	(70,180)	(240,903)	15,005	20,356	(162,247)	134,810	(308,159)	(49,475)	(357,634)
Operating income	316,649	900,802	133,770	64,415	111,330	264,103	1,791,069	10,847	1,801,916
Non-operating income(loss)	3,304	(3,097)	32,832	-	(4,097)	(25,334)	3,608	(3,938)	(330)
Net income before income tax expense	319,953	897,705	166,602	64,415	107,233	238,769	1,794,677	6,909	1,801,586
Income tax expense	(77,429)	(204,541)	(40,318)	(15,588)	(25,900)	(8,148)	(371,924)	(37,221)	(409,145)
Net income	242,524	693,164	126,284	48,827	81,333	230,621	1,422,753	(30,312)	1,392,441

For the nine months ended September 30, 2016									
	Consumer banking	Corporate banking	Investment banking	Capital market	Credit Cards	Headquarters and others	Sub-total	Adjustmen ts	Total
Net Interest income	1,088,799	1,298,660	9,738	39,087	315,967	553,785	3,306,036	439,164	3,745,200
Interest income	2,228,511	2,293,660	114,282	14,666	411,611	1,125,147	6,187,877	214,610	6,402,487
Interest expense	(772,242)	(1,349,208)	(156)	(227)	(95,644)	(664,364)	(2,881,841)	224,554	(2,657,287)
Inter-segment	(367,470)	354,208	(104,388)	24,648	-	93,002	-	-	-
Net non-interest income	420,841	414,071	118,636	11,701	62,198	232,636	1,260,083	(711,736)	548,347
Non-interest income	682,013	399,706	421,359	6,935,357	723,278	3,150,096	12,311,809	(298,094)	12,013,715
Non-interest expense	(286,919)	(20,284)	(302,723)	(6,923,656)	(661,080)	(2,857,064)	(11,051,726)	(413,642)	(11,465,368)
Inter-segment	25,747	34,649	-	-	-	(60,396)	-	-	-
Other income(expense)	(1,365,472)	(1,157,200)	(88,720)	(2,237)	(254,812)	(237,252)	(3,105,693)	201,367	(2,904,326)
Administrative expense	(1,310,730)	(700,793)	(9,490)	(12,104)	(104,516)	(463,717)	(2,601,350)	189,568	(2,411,782)
Impairment losses due to credit loss and others	(54,742)	(456,407)	(79,230)	9,867	(150,296)	226,465	(504,343)	11,799	(492,544)
Operating income	144,168	555,531	39,654	48,551	123,353	549,169	1,460,426	(71,205)	1,389,221
Non-operating income(loss)	(30,998)	(2,754)	32,618	-	(2,794)	41,228	37,300	(67,125)	(29,825)
Net income before income tax expense	113,170	552,777	72,272	48,551	120,559	590,397	1,497,726	(138,330)	1,359,396
Income tax expense	(27,387)	(132,580)	(17,490)	(11,749)	(28,168)	(30,482)	(247,856)	5,639	(242,217)
Net income	85,783	420,197	54,782	36,802	92,391	559,915	1,249,870	(132,691)	1,117,179

(2) Information on products and services

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

(3) Information on geographical areas

Among the Group's revenue (interest income and non-interest income) from services, revenue from the domestic customers for the nine months ended September 30, 2017 and 2016 amounted to 15,525,861 million Won and 17,600,787 million Won, respectively, and revenue from the foreign customers amounted to 824,102 million Won and 815,415 million Won, respectively. Among the Group's non-current assets (investments in joint ventures and associates, investment properties, premises and equipment and intangible assets), non-current assets attributed to domestic subsidiaries as of September 30, 2017 and December 31, 2016 are 3,688,314 million Won and 3,498,327 million Won, respectively, and foreign subsidiaries are 246,540 million Won and 240,946 million Won, respectively.

6. CASH AND CASH EQUIVALENTS

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

	September 30, 2017	December 31, 2016
Cash	2,245,815	2,113,739
Foreign currencies	716,944	742,340
Demand deposits	3,102,713	4,238,956
Fixed deposits	747,017	496,289
Total	6,812,489	7,591,324

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

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Changes in other comprehensive income (loss) due to valuation of AFS financial assets	(51,041)	52,278
Changes in other comprehensive income (loss) of investment in associates	4,917	(2,965)
Changes in other comprehensive income (loss) of foreign currencies translation of foreign operations	(54,522)	(75,041)
Changes in other comprehensive income (loss) related to valuation of cash flow hedging	(1,247)	10,371
Changes in other comprehensive loss due to remeasurement of the net defined benefit liability	13,143	(52,788)
Changes in investments in associates due to equity swap and others	51,227	-
Changes in investments in associates due to accounts transfer	-	(156,727)
Changes in unpaid dividends on hybrid equity securities	(1,502)	23,560

7. FINANCIAL ASSETS AT FVTPL

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

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Financial assets held for trading	4,590,507	5,633,724
Financial assets designated at FVTPL	18,980	17,000
Total	<u>4,609,487</u>	<u>5,650,724</u>

(2) Financial assets held for trading are as follows (Unit: Korean Won in millions):

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Deposits:		
Gold banking asset	26,305	26,180
Securities:		
Debt securities		
Korean treasury and government agencies	533,202	519,337
Financial institutions	1,569,337	1,444,459
Corporates	568,632	681,120
Equity securities	27,395	35,983
Beneficiary certificates	16,247	23,891
Securities loaned	-	4,459
Sub-total	<u>2,714,813</u>	<u>2,709,249</u>
Derivatives assets	<u>1,849,389</u>	<u>2,898,295</u>
Total	<u>4,590,507</u>	<u>5,633,724</u>

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

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Debt securities	6,475	4,348
Equity securities	12,505	12,652
Total	<u>18,980</u>	<u>17,000</u>

8. AVAILABLE FOR SALE FINANCIAL ASSETS

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

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Debt securities:		
Korean treasury and government agencies	3,076,447	3,788,630
Financial institutions	5,632,300	6,314,198
Corporates	3,270,981	4,409,186
Asset-backed securities	310,739	249,203
Bonds in foreign currencies	2,068,932	1,211,864
Others	35,214	75,228
Sub-total	<u>14,394,613</u>	<u>16,048,309</u>
Equity securities	1,455,535	1,453,613
Beneficiary certificates	2,603,541	2,822,082
Securities loaned	170,899	493,579
Total	<u>18,624,588</u>	<u>20,817,583</u>

9. HELD TO MATURITY FINANCIAL ASSETS

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

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Korean treasury and government agencies	4,224,173	3,754,356
Financial institutions	6,658,634	5,168,487
Corporates	5,241,100	4,823,356
Bonds in foreign currencies	201,575	164,052
Total	<u>16,325,482</u>	<u>13,910,251</u>

10. LOANS AND RECEIVABLES

(1) Details of loans and receivables are as follows (Unit: Korean Won in millions):

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Due from banks	14,697,586	14,815,476
Loans	239,671,726	235,400,585
Other loans and receivables	12,602,760	8,176,572
Total	<u>266,972,072</u>	<u>258,392,633</u>

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

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Due from banks in local currency:		
Due from The Bank of Korea ("BOK")	11,212,033	11,395,162
Due from depository banks	20,003	3
Due from non-depository institutions	14,969	9,811
Due from the Korea Exchange	2,089	1,625
Others	77,044	73,283
Allowance for credit losses	(2,755)	(2,798)
Sub-total	<u>11,323,383</u>	<u>11,477,086</u>
Due from banks in foreign currencies:		
Due from banks on demand	856,912	877,636
Due from banks on time	1,601,379	1,684,631
Others	918,208	778,418
Allowance for credit losses	(2,296)	(2,295)
Sub-total	<u>3,374,203</u>	<u>3,338,390</u>
Total	<u>14,697,586</u>	<u>14,815,476</u>

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

Financial institution	Counterparty	September 30, 2017	Reason of restriction
Due from banks in local currency:			
Due from The BOK	The BOK	11,212,033	Reserve deposits under The BOK Act
Others	The Korea Exchange and others	74,089	Central counter party KRW margin and others
	Sub-total	<u>11,286,122</u>	
Due from banks in foreign currencies:			
Due from banks on demand	The BOK and others	842,415	Reserve deposits under The BOK Act and others
Others	The People's Bank of China and others	884,954	Reserve deposits and others
	Sub-total	<u>1,727,369</u>	
		<u>13,013,491</u>	
Financial institution	Counterparty	December 31, 2016	Reason of restriction
Due from banks in local currency:			
Due from The BOK	The BOK	11,395,162	Reserve deposits under The BOK Act
Others	The Korea Exchange and others	70,304	Central counter party KRW margin and others
	Sub-total	<u>11,465,466</u>	
Due from banks in foreign currencies:			
Due from banks on demand	The BOK and others	854,612	Reserve deposits under The BOK Act and others
Others	The People's Bank of China and others	778,418	Reserve deposits and others
	Sub-total	<u>1,633,030</u>	
		<u>13,098,496</u>	

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

	September 30, 2017	December 31, 2016
Loans in local currency	196,803,960	191,309,481
Loans in foreign currencies	13,698,849	14,101,839
Domestic banker's letter of credit	2,750,451	3,754,030
Credit card accounts	6,980,965	6,673,765
Bills bought in foreign currencies	8,449,003	7,758,575
Bills bought in local currency	178,175	414,451
Factoring receivables	49,459	96,763
Advances for customers on guarantees	24,947	25,197
Privately placed bonds	330,113	328,405
Securitized loans	528,830	252,690
Call loans	2,282,109	2,985,077
Bonds purchased under resale agreements	8,363,588	8,854,753
Loan origination costs and fees	487,982	458,639
Others	481,753	251,635
Present value discount	(12,285)	(13,827)
Allowance for credit losses	<u>(1,726,173)</u>	<u>(1,850,888)</u>
Total	<u>239,671,726</u>	<u>235,400,585</u>

- (5) Details of other loan and receivables are as follows (Unit: Korean Won in millions):

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
CMA accounts	180,000	190,000
Receivables	10,133,617	5,417,676
Accrued income	1,002,844	1,080,489
Telex and telephone subscription rights and refundable deposits	991,665	1,019,577
Other debtors	361,626	639,945
Allowance for credit losses	<u>(66,992)</u>	<u>(171,115)</u>
Total	<u>12,602,760</u>	<u>8,176,572</u>

- (6) Changes in allowance for credit losses on loans and receivables are as follows (Unit: Korean Won in millions):

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

(*) Others are due to debt-equity swap, fluctuation of foreign currencies exchange rates, etc.

	<u>For the nine months ended September 30, 2016</u>				
	<u>Consumers</u>	<u>Corporates</u>	<u>Credit card</u>	<u>Others</u>	<u>Total</u>
Beginning balance	(203,433)	(1,686,194)	(145,810)	(442,620)	(2,478,057)
Net reversal of provision	(65,153)	(506,360)	(139,591)	(11,664)	(722,768)
Recoveries of loans previously charged off	(41,780)	(147,918)	(32,248)	(19,233)	(241,179)
Charge-offs	120,805	508,131	169,135	215,338	1,013,409
Sales of loans and receivables	2,017	104,844	-	91,767	198,628
Unwinding effect	7,818	54,885	-	-	62,703
Others(*)	50	36,263	1	(8,257)	28,057
Ending balance	<u>(179,676)</u>	<u>(1,636,349)</u>	<u>(148,513)</u>	<u>(174,669)</u>	<u>(2,139,207)</u>

(*) Others are due to debt-equity swap, fluctuation of foreign currencies exchange rates, etc.

11. THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(1) The fair value hierarchy

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

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

- Level 1—fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The types of financial assets or liabilities generally included in Level 1 are publicly traded equity securities, derivatives, and debt securities issued by governmental bodies.
- Level 2— fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). The types of financial assets or liabilities generally included in Level 2 are debt securities not traded in active markets and derivatives traded in OTC but not required significant judgment.
- Level 3— fair value measurements are those derived from valuation technique that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The types of financial assets or liabilities generally included in Level 3 are non-public securities and derivatives and debt securities of which valuation techniques require significant judgments and subjectivity.

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

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

September 30, 2017				
	Level 1 (*1)	Level 2 (*1)	Level 3 (*2)	Total
Financial assets:				
Financial assets held for trading				
Deposits	26,305	-	-	26,305
Debt securities	407,052	2,264,119	-	2,671,171
Equity securities	27,395	-	-	27,395
Beneficiary certificates	-	16,247	-	16,247
Derivative assets	4,814	1,813,963	30,612	1,849,389
Sub-total	465,566	4,094,329	30,612	4,590,507
Financial assets designated at FVTPL				
Debt securities	-	-	6,475	6,475
Equity securities	-	-	12,505	12,505
Sub-total	-	-	18,980	18,980
AFS financial assets				
Debt securities	3,072,056	11,322,557	-	14,394,613
Equity securities	382,647	-	1,072,888	1,455,535
Beneficiary certificates	-	1,959,569	643,972	2,603,541
Securities loaned	79,955	90,944	-	170,899
Sub-total	3,534,658	13,373,070	1,716,860	18,624,588
Derivative assets	-	109,828	-	109,828
Total	4,000,224	17,577,227	1,766,452	23,343,903
Financial liabilities:				
Financial liabilities held for trading				
Deposits	26,327	-	-	26,327
Derivative liabilities	3,545	1,954,159	37,824	1,995,528
Securities sold	3,901	-	-	3,901
Sub-total	33,773	1,954,159	37,824	2,025,756
Financial liabilities designated at FVTPL				
Equity-linked securities	-	-	349,409	349,409
Debentures	-	92,941	-	92,941
Sub-total	-	92,941	349,409	442,350
Derivative liabilities	-	41,619	-	41,619
Total	33,773	2,088,719	387,233	2,509,725

December 31, 2016				
	Level 1 (*1)	Level 2 (*1)	Level 3 (*2)	Total
Financial assets:				
Financial assets held for trading				
Deposits	26,180	-	-	26,180
Debt securities	370,636	2,274,280	-	2,644,916
Equity securities	35,983	-	-	35,983
Beneficiary certificates	-	23,891	-	23,891
Securities loaned	4,459	-	-	4,459
Derivative assets	3,233	2,871,909	23,153	2,898,295
Sub-total	440,491	5,170,080	23,153	5,633,724
Financial assets designated at FVTPL				
Debt securities	-	-	4,348	4,348
Equity securities	-	-	12,652	12,652
Sub-total	-	-	17,000	17,000
AFS financial assets				
Debt securities	2,288,917	13,759,392	-	16,048,309
Equity securities	428,678	-	1,024,935	1,453,613
Beneficiary certificates	-	2,291,571	530,511	2,822,082
Securities loaned	391,279	102,300	-	493,579
Sub-total	3,108,874	16,153,263	1,555,446	20,817,583
Derivative assets	-	140,478	99	140,577
Total	3,549,365	21,463,821	1,595,698	26,608,884
Financial liabilities:				
Financial liabilities held for trading				
Deposits	26,501	-	-	26,501
Derivative liabilities	1,750	2,974,703	33,524	3,009,977
Sub-total	28,251	2,974,703	33,524	3,036,478
Financial liabilities designated at FVTPL				
Equity-linked securities	-	197	673,709	673,906
Debentures	-	92,974	-	92,974
Sub-total	-	93,171	673,709	766,880
Derivative liabilities	-	7,221	-	7,221
Total	28,251	3,075,095	707,233	3,810,579

(*1) There is no transfer between level 1 and level 2 of financial assets and liabilities measured at fair value. The Group recognizes transfers between the levels at the end of reporting period within which events or conditions change.

(*2) Certain AFS unquoted equity securities were measured at cost as of September 30, 2017 and December 31, 2016, that are amounting to 64,307 million Won and 43,202 million Won, respectively. These unquoted equity instruments mostly represent minority investments in special purposed entity vehicles such as asset securitization structures. They are measured at cost because (a) observable inputs of financial information to measure fair value was not available to obtain, or (b) there is a significant variance in likely estimated cash flows or (c) the probabilities for the various estimated cash flows could not be measured reliably. In addition, the Group has no intention to dispose these investments in the foreseeable future.

Certain financial assets are carried at cost, even though under K-IFRS it is required to be subsequently measured at their fair value, since they do not have quoted market prices in an active market and cannot be measured at fair value reliably. The carrying amount of the financial assets which have been disposed for the nine months ended September 30, 2017 is 910 million Won and the related gain from the disposals is 647 million Won.

Financial assets and liabilities designated at FVTPL, held-for-trading financial assets and liabilities, AFS financial assets, and derivative assets and liabilities are recognized at fair value. Fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

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

	Fair value measurement methods	Input variables
Debt securities	The fair value is measured by discounting the projected cash flows of debt securities by applying the market discount rate that has been applied to a proxy company that has similar credit rating to the issuers of the securities.	Risk-free market rate, credit spread
Equity securities	Among DCF (Discounted Cash Flow) Model, FCFE (Free Cash Flow to Equity) Model, Comparable Company Analysis, Dividend Discount Model, Risk-adjusted Rate of Return Method, and Net Asset Value Method, more than one method is used given the characteristic of the subject of fair value measurement.	Risk-free market rate, market risk premium, Beta
Derivatives	The in-house developed model which is based on the models that are used by market participants in the valuation of general OTC derivative products, such as options, interest rate swaps, currency swap and currency forward that are based on inputs observable in the market. However, for some complicated financial instruments of which valuation should be based on some assumptions since some significant or all inputs to be used in the model are not observable in the market, the in-house derived model which is developed from the general valuation models, such as Finite Difference Method ("FDM") or Monte Carlo Simulation.	Risk-free market rate, forward rate, volatility, foreign exchange rate, stock prices, etc.
Equity-linked securities	The fair value of security linked to stock prices or derivatives is measured by the models such as DCF model, FDM, or Monte Carlo Simulation given the natures of the securities or underlying assets.	Values of underlying assets, risk-free market rate, market rate, dividend and convenience yield, volatility, correlation coefficient, credit spread, and foreign exchange rate
Debentures	The fair value is measured by discounting the projected cash flows of a debenture by applying the market discount rate that is reflecting credit rating of the Group.	Risk-free market rate, forward rate

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

	Fair value measurement technique	Input variable	Range	Impact of changes in significant unobservable inputs on fair value measurement
Derivative assets	Option valuation model and others	Correlation coefficient	0.700~0.980	Variation of fair value increases as correlation coefficient increases.
		Volatility of underlying asset	16.8%~33.8%	Variation of fair value increases as volatility increases.
Derivative liabilities	Option valuation model and others	Correlation coefficient	0.700~0.980	Variation of fair value increases as correlation coefficient increases.
		Volatility of underlying asset	16.8%~33.8%	Variation of fair value increases as volatility increases.
Equity linked securities	Monte Carlo Simulation and others	Correlation coefficient	0.159~0.701	Equity linked securities' fair value increases if both volatility and correlation coefficient increase.
		Volatility of underlying asset	9.1%~40.6%	However when correlation coefficient decreases, despite the increase in volatility, the fair value of equity linked securities may decrease.
Equity securities	External appraisal value and others	Expected growth rate	0.0%~1.0%	Fair value increases as expected growth rate increases.

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

(3) Changes in financial assets and liabilities classified into level 3 are as follows (Unit: Korean Won in millions):

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

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

gain (loss) on financial instruments at FVTPL and net gain (loss) on AFS financial assets in the statement of comprehensive income.

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

	For the nine months ended September 30, 2016						September 30, 2016
	January 1, 2016	Net Income (loss) (*1)	Other comprehensive income (loss)	Purchases/ Issuances	Disposals/ Settlements	Transfer to or out of level 3 (*2)	
Financial assets:							
Financial assets held for trading							
Derivative assets (*3)	78,676	(2,881)	-	12,182	(11,311)	(540)	76,126
Financial assets designated at FVTPL							
Debt securities	986	(181)	-	2,509	-	-	3,314
Equity securities	11,609	536	-	-	-	-	12,145
Sub-total	12,595	355	-	2,509	-	-	15,459
AFS financial assets							
Equity securities (*4)	993,368	(4,944)	62,539	195,035	(120,925)	(17,455)	1,107,618
Beneficiary certificates	377,070	1,012	(1,510)	120,178	(19,401)	-	477,349
Others	5,308	594	(642)	-	(5,260)	-	-
Sub-total	1,375,746	(3,338)	60,387	315,213	(145,586)	(17,455)	1,584,967
Derivative assets	5,973	3,716	-	-	(9,635)	-	54
Total	1,472,990	(2,148)	60,387	329,904	(166,532)	(17,995)	1,676,606
Financial liabilities:							
Financial liabilities held for trading							
Derivative liabilities	78,607	886	-	-	(16,534)	-	62,959
Financial liabilities designated at FVTPL							
Equity-linked securities	747,351	44,006	-	983	(142,349)	-	649,991
Total	825,958	44,892	-	983	(158,883)	-	712,950

(*1) The loss amounting to 31,766 million Won for the nine months ended September 30, 2016, which is from financial assets and liabilities that the Group holds, has been recognized in net gain (loss) on financial instruments at FVTPL and net gain (loss) on AFS financial assets in the consolidated statement of comprehensive income.

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

(*3) As the variables used for the valuation of currency related derivatives were observable in the market, such derivatives were transferred into level 2 from level 3.

(*4) AFS financial assets were transferred out of level 1 to level 3 upon the change of the fair value measurement method of the assets by using quoted prices in the active market from previously using the external valuation specialists.

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

The sensitivity analysis of the financial instruments has been performed by classifying with favorable and unfavorable changes based on how changes in unobservable assumptions would have effects on the fluctuations of financial instruments' value. When the fair value of a financial instrument is affected by more than one unobservable assumption, the below table reflects the most favorable or the most unfavorable changes which resulted from varying the assumptions individually. The sensitivity analysis was performed for two types of level 3 financial instruments: (1) interest rate related derivatives, currency related derivatives, equity related derivatives, and equity-linked securities of which fair value changes are recognized as net income; (2) equity securities and beneficiary certificates of which fair value changes are recognized as other comprehensive income. Equity securities classified as level 3 but measured at costs are excluded from sensitivity analysis.

The following table presents the sensitivity analysis to disclose the effect of reasonably possible volatility on the fair value of a level 3 financial instruments as of September 30, 2017 and December 31, 2016. (Unit: Korean Won in millions):

	As of September 30, 2017				As of December 31, 2016			
	Net income (loss)		Other comprehensive income (loss)		Net income (loss)		Other comprehensive income (loss)	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets:								
Financial assets held for trading								
Derivatives instruments assets (*1)(*2)	3,516	(4,690)	-	-	861	(2,248)	-	-
Financial assets designed at FVTPL								
Equity securities (*5)	703	656	-	-	707	(657)	-	-
AFS Financial assets								
Equity securities (*3)(*4)	-	-	35,705	(18,814)	-	-	31,412	(18,551)
Beneficiary certificates (*4)	-	-	2,378	(2,038)	-	-	2,903	(2,571)
Total	<u>4,219</u>	<u>(4,034)</u>	<u>38,083</u>	<u>(20,852)</u>	<u>1,568</u>	<u>(2,905)</u>	<u>34,315</u>	<u>(21,122)</u>
Financial liabilities:								
Financial liabilities held for trading								
Derivative liabilities (*1)(*2)	7,080	(5,726)	-	-	4,892	(3,568)	-	-
Financial liabilities designated at FVTPL								
Equity-linked securities (*1)	144	(125)	-	-	905	(857)	-	-
Total	<u>7,224</u>	<u>(5,851)</u>	<u>-</u>	<u>-</u>	<u>5,797</u>	<u>(4,425)</u>	<u>-</u>	<u>-</u>

(*1) Fair value changes of equity related derivatives assets and liabilities and equity-linked securities are calculated by increasing or decreasing historical volatility of the stock price and correlation, which are major unobservable variables, by 10%, respectively. In the case of interest rate related derivative assets and liabilities, fair value changes are calculated by increasing or decreasing the volatility of interest rate, which are major unobservable variables, by 10%, respectively.

(*2) Both derivative assets and liabilities for held for trading and hedging are included.

(*3) Fair value changes of equity securities are calculated by increasing or decreasing growth rate (0~1%) and discount rate or liquidation value (-1~1%) and discount rate. The growth rate, discount rate, and liquidation value are major unobservable variables.

(*4) Among the equity securities, even if the sensitivity analysis of the capital contributions and beneficiary certificates is not possible in practice, fair value changes of beneficiary certificates and other securities whose major unobservable variables are composed of the real estate are calculated by increasing or decreasing price fluctuation of real estate which is underlying assets and discount rate by 1%.

(*5) Changes of fair value are measured by increasing or decreasing the discount rate by 10%, which is major unobservable variable, respectively.

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

	As of September 30, 2017				
	Fair value				Book value
	Level 1	Level 2	Level 3	Total	
Financial assets:					
HTM financial assets	1,605,876	14,738,040	-	16,343,916	16,325,482
Loans and receivables	-	-	267,026,970	267,026,970	266,972,072
Financial liabilities:					
Deposits due to customers	-	226,245,800	-	226,245,800	226,344,233
Borrowings	-	16,296,085	-	16,296,085	16,314,499
Debentures	-	27,588,702	-	27,588,702	27,537,013
Other financial liabilities	-	23,528,442	-	23,528,442	23,529,630
	As of December 31, 2016				
	Fair value				Book Value
	Level 1	Level 2	Level 3	Total	
Financial assets:					
HTM financial assets	741,880	13,243,297	-	13,985,177	13,910,251
Loans and receivables	-	-	259,565,952	259,565,952	258,392,633
Financial liabilities:					
Deposits due to customers	-	221,001,466	-	221,001,466	221,020,411
Borrowings	-	18,785,325	-	18,785,325	18,769,515
Debentures	-	24,004,668	-	24,004,668	23,565,449
Other financial liabilities	-	21,984,171	-	21,984,171	21,985,086

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

	Fair value measurement technique	Input variables
Debt securities	The fair value is measured by discounting the projected cash flows of debt securities by applying the market discount rate that has been applied to a proxy company that has similar credit rating to the issuers of the securities.	Risk-free market rate and credit spread
Loans and receivables	The fair value is measured by discounting the projected cash flows of loan products by applying the market discount rate that has been applied to a proxy company that has similar credit rating to the debtor.	Risk-free market rate, credit spread and prepayment-rate
Deposit due to customers, borrowings, debentures, and other financial liabilities	The fair value is measured by discounting the projected cash flows of debt products by applying the market discount rate that is reflecting credit rating of the Group.	Risk-free market rate and forward rate

12. DERECOGNITION AND OFFSET OF FINANCIAL INSTRUMENTS

(1) Derecognition of financial assets

1) Transferred financial assets that meet condition of derecognition

The book value, fair value of, and maximum exposure to loss from the financial assets that were derecognized from the consolidated financial statements of the Group through disposals, but the Group still have continuous involvements are given as follows (Unit: Korean Won in millions):

		September 30, 2017		
	Type of continuous involvement	Book value of continuous participation	Fair value of continuous participation	Maximum exposure to loss
Conditional disposal of loans to KAMCO (*)	Post settlement	-	-	-

(*) The post settlement had been settled up as of September 30, 2017, and there are no financial instruments which meet the derecognition conditions but the group has continuous involvements.

		December 31, 2016		
	Type of continuous involvement	Book value of continuous participation	Fair value of continuous participation	Maximum exposure to loss
Conditional disposal of loans to KAMCO (*)	Post settlement	-	-	701

(*) For ex-post settling up amount of the collateral is not fixed yet, expected cash flow cannot be reliably measured as of December 31, 2016, and the maximum exposure to loss is disclosed at the transfer price. Though the transfer does not qualify for derecognition in accordance with K-IFRS 1039 – *Financial Instrument: Recognition and Measurement*, the Group derecognized the financial asset from the consolidated financial statements applying exception for retrospective application of transactions before the date of transition to IFRSs in K-IFRS 1101 – *First-time Adoption of K-IFRS*.

2) Transferred financial assets that do not meet condition of derecognition

a) Disposal of securities under repurchase agreements

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

		September 30, 2017	December 31, 2016
Assets transferred	AFS financial assets	121,227	2,546,683
	HTM financial assets	5,432	7,133
	Total	<u>126,659</u>	<u>2,553,816</u>
Related liabilities	Bonds sold under repurchase agreements	<u>114,586</u>	<u>2,004,905</u>

b) Securities loaned

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

		September 30, 2017	December 31, 2016	Loaned to
Financial assets at FVTPL	Korean equity securities	-	4,459	Samsung Securities Co., Ltd. and others
AFS financial assets	Korean treasury and government agencies and others	170,899	493,579	Korea Securities Finance Corporation and others
	Total	<u>170,899</u>	<u>498,038</u>	

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

(2) The offset of financial assets and liabilities

The Group possesses both the uncollected domestic exchange receivables and unpaid domestic exchange payable, which satisfy offsetting criteria of K-IFRS 1032. Therefore, the total number of uncollected domestic exchange receivables or unpaid domestic exchange payable has been countervailed with part of unpaid domestic exchange payable or uncollected domestic exchange receivables, respectively, and has been disclosed in loans and receivables or other financial liabilities of the Group's statements of financial position and loans and receivables, respectively.

The Group possesses the derivative assets, derivative liabilities, receivable spot exchange, and payable spot exchange which do not satisfy the offsetting criteria of K-IFRS 1032, but provide the Group the right of, under the circumstances of the trading party's defaults, insolvency, or bankruptcy, the offsetting. Item such as cash collateral cannot satisfy the offsetting criteria of K-IFRS 1032, but in accordance with the collateral arrangements and under the circumstances of the trading party's default, insolvency, or bankruptcy, the derivative assets, derivative liabilities, receivable spot exchange, and the net amount of payable spot exchange can be offset.

The Group has entered into a sale and repurchase agreements and accounted it as collateralized borrowing. Also, the Group has entered into a purchase and resale agreement and accounted it as secured loans. The repurchase and resale agreement can have the offsetting right only under the trading party's default, insolvency, or bankruptcy which do not satisfy the offsetting criteria of K-IFRS 1032, the Group recorded the collateralized borrowings in borrowings and the secured loans in loans and receivables. The Group under the repurchase agreements has offsetting right only upon the counter-party's default, insolvency or bankruptcy, thus the repurchase agreements are applied by the TBMA/ISMA Global Master Repurchase Agreement of which do not satisfy the offsetting criteria of K-IFRS 1032. The Group disclosed bonds sold (purchased) under repurchase agreements as borrowings (loans and receivables).

As of September 30, 2017 and December 31, 2016, the financial instruments to be set off and may be covered by master netting agreements and similar agreements are given as below (Unit: Korean Won in millions):

September 30, 2017						
	Gross amounts of recognized financial assets	Gross amounts of recognized financial assets set off	Net amounts of financial assets presented	Related amounts not set off in the statement of financial position		Net amounts
				Financial instruments	Cash collateral received	
Financial assets:						
Derivative assets and others (*1)	1,766,757	2,162	1,764,595	10,082,645	1,164	567,947
Receivable spot exchange (*2)	8,887,161	-	8,887,161			
Bonds purchased under resale agreements (*2)	8,363,588	-	8,363,588	8,363,588	-	-
Domestic exchanges receivable (*2)(*5)	27,653,928	27,389,521	264,407	-	-	264,407
Total	46,671,434	27,391,683	19,279,751	18,446,233	1,164	832,354
September 30, 2017						
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial liabilities set off	Net amounts of financial liabilities presented	Related amounts not set off in the statement of financial position		Net amounts
				Financial instruments	Cash collateral pledged	
Financial liabilities:						
Derivative liabilities and others (*1)	2,045,134	2,162	2,042,972	10,238,686	185,152	505,504
Payable spot exchange (*3)	8,886,370	-	8,886,370			
Bonds sold under repurchase agreements (*4)	114,586	-	114,586	114,586	-	-
Domestic exchanges payable (*3)(*5)	32,057,321	27,389,521	4,667,800	4,663,185	-	4,615
Total	43,103,411	27,391,683	15,711,728	15,016,457	185,152	510,119
December 31, 2016						
	Gross amounts of recognized financial assets	Gross amounts of recognized financial assets set off	Net amounts of financial assets presented	Related amounts not set off in the statement of financial position		Net amounts
				Financial instruments	Cash collateral received	
Financial assets:						
Derivative assets and others (*1)	2,962,969	8,442	2,954,527	6,546,232	69,834	1,016,550
Receivable spot exchange (*2)	4,678,089	-	4,678,089			
Bonds purchased under resale agreements (*2)	8,854,753	-	8,854,753	8,854,753	-	-
Domestic exchanges receivable (*2)(*5)	31,456,123	30,883,281	572,842	-	-	572,842
Total	47,951,934	30,891,723	17,060,211	15,400,985	69,834	1,589,392
December 31, 2016						
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial liabilities set off	Net amounts of financial liabilities presented	Related amounts not set off in the statement of financial position		Net amounts
				Financial instruments	Cash collateral pledged	
Financial liabilities:						
Derivative liabilities and others (*1)	3,467,374	8,442	3,458,932	6,695,062	105,270	1,341,375
Payable spot exchange (*3)	4,682,775	-	4,682,775			
Bonds sold under repurchase agreements (*4)	2,004,905	-	2,004,905	2,004,905	-	-
Domestic exchanges payable (*3)(*5)	39,345,524	30,883,281	8,462,243	6,161,151	-	2,301,092

December 31, 2016						
	Gross amounts of recognized financial liabilities	Gross amounts of financial liabilities set off	Net amounts of financial liabilities presented	Related amounts not set off in the statement of financial position		
				Financial instruments	Cash collateral pledged	Net amounts
Total	49,500,578	30,891,723	18,608,855	14,861,118	105,270	3,642,467

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

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

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

(*4) The items are included in borrowings.

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

13. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

Subsidiaries	Main business	Percentage of ownership (%)		Financial statements as of
		September 30, 2017	December 31, 2016	
Woori Bank and Woori Private Equity Asset Management Co., Ltd.:				
Woori Blackstone Korea Opportunity No.1 Private Equity Fund	Other finance business	26.4	26.4	September 30
Woori Bank:				
Kumho Tire Co., Inc. (*1)(*2)	Manufacturing	14.2	14.2	June 30(*3)
Woori Service Networks Co., Ltd. (*4)	Freight & staffing services	4.9	4.9	August 31(*3)
Korea Credit Bureau Co., Ltd. (*5)	Credit information	9.9	9.9	September 30
Korea Finance Security Co., Ltd. (*4)	Security service	15.0	15.0	August 31(*3)
Chin Hung International Inc. (*2)(*9)	Construction	25.3	28.4	August 31(*3)
Poonglim Industrial Co., Ltd. (*6)(*12)(*14)	Construction	30.2	31.0	June 30(*3)
STX Engine Co., Ltd. (*1)(*2)	Manufacturing	29.2	29.2	June 30(*3)
Samho International Co., Ltd. (*2)(*18)	Construction	-	7.8	-
Force TEC Co., Ltd. (*6)(*15)	Freight & staffing services	-	34.4	-
STX Corporation (*1)(*2)(*6)(*13)	Wholesale of non-specialized goods	19.7	9.5	June 30(*3)
Saman Corporation (*5)	General construction			
Dongwoo C & C Co., Ltd. (*6)	Technology service	9.2	9.2	June 30(*3)
	Construction	23.2	23.2	-
SJCO Co., Ltd. (*6)	Aggregate transportation			
G2 Collection Co., Ltd. (*6)	and wholesale	26.5	26.5	-
The Base Enterprise Co., Ltd. (*6)	Wholesale and retail sales	28.9	28.9	-
Heungjiwon Co., Ltd. (*6)	Manufacturing	48.4	48.4	-
Kyesan Engineering Co., Ltd. (*6)	Other printing	27.8	27.8	-
Good Software Lap Co., Ltd. (*6)	Construction	23.2	23.2	-
Wongwang Co., Ltd. (*6)	Service	28.9	28.9	-
Sejin Construction Co., Ltd. (*6)	Wholesale and real estate	29.0	29.0	-
	Construction	29.6	29.6	-
Deokwon Food Co., Ltd. (*6)(*17)	Poultry processing and storage	-	27.3	-
QTS Shipping Co., Ltd. (*6)	Complex transportation			
DAEA SNC Co. Ltd. (*6)	brokerage	49.4	49.4	-
	Wholesale and retail sales	24.0	24.0	-
ARES-TECH Co.,Ltd. (*6)	Electronic component			
Reading Doctors Co., Ltd. (*6)(*10)	manufacturing	23.4	23.4	-
PREXCO Co., Ltd. (*6)(*10)	Other service business	35.4	-	-
Hyunwoo International Co., Ltd. (*6)(*10)	Manufacturing	28.1	-	-
Jiwon Plating Co., Ltd. (*6)(*16)	Manufacturing	25.9	-	-
Cultizm Korea LTD Co., Ltd. (*6)(*16)	Plating	20.5	-	-
Woori Growth Partnerships New Technology Private Equity Fund	Wholesale and retail sales	31.3	-	-
2016KIF-IMM Woori Bank Technology Venture Fund	Other financial business	23.1	23.1	September 30
	Other financial business	20.0	20.0	September 30

Subsidiaries	Main business	Percentage of ownership (%)		Financial statements as of September 30, 2017
		September 30, 2017	December 31, 2016	
K BANK Co., Ltd. (*5)	Finance	13.0	13.0	August 31(*3)
Smart Private Equity Fund No.2 (*11)	Other financial business	20.0	-	September 30
Woori Bank-Company K Korea Movie Asset Fund (*11)	Other financial business	25.0	-	September 30
Well to Sea No. 3 Private Equity Fund (*11)	Finance	50.0	-	June 30(*3)
Woori Private Equity Fund:				
Woori Renaissance Holdings (*7)	Other financial business	-	51.6	-
Woori Private Equity Asset Management Co., Ltd.,:				
Woori Columbus 1st Private Equity Fund (*8)	Other financial business	2.0	2.0	September 30

- (*1) The Group has significant influence on these entities through its position in the creditors' council which is the decision making body regarding to financial and operational policies of associates.
- (*2) The investments in associates that have quoted market prices are Kumho Tire Co., Ltd. (current period: KRW 5,980, previous year: KRW 8,480), Chin Hung International Inc. (current period: KRW 1,990, previous year: KRW 2,090), STX Engine Co., Ltd. (current period: KRW 12,150, previous year: KRW 6,630), Samho International Co., Ltd. (previous year: KRW 16,900), STX Corporation. (previous year: KRW 1,660).
- (*3) The significant transactions and events between the end of reporting period of the associates and the Group have been properly incorporated.
- (*4) Most of the significant business transactions of associates are with the Group as of September 30, 2017 and December 31, 2016.
- (*5) The Group can participate in decision-making body and exercise significant influence over associates through business partnerships.
- (*6) The carrying values of investments in Reading Doctors Co., Ltd., PREXCO Co., Ltd and Hyunwoo International Co., Ltd., Jiwon Plating Co., Ltd. and Cultizm Korea LTD Co., Ltd. are nil as of September 30, 2017 and those of investments in Force TEC Co., Ltd., STX Corporation and Deokwon Food Co., Ltd. are nil as of December 31, 2016. Furthermore, those of investments in Poonglim Industrial Co., Ltd., Dongwoo C&C Co., Ltd., SJCO Co., Ltd., G2 collection Co., Ltd., The Base Enterprise Co., Ltd., Heungjiwon Co., Ltd., Kyesan Engineering Co., Ltd., Good Software Lab Co., Ltd., Wongwang Co., Ltd., Sejin Construction Co., Ltd., QTS Shipping Co., Ltd., DAEA SNC Co., Ltd. and ARES-TECH Co., Ltd. are nil as of both December 31, 2016 and September 30, 2017.
- (*7) The Group owns over 50% ownership as of December 31, 2016. However, the investment in this entity was accounted for using equity method as the ownership and related contracts meet the definition of joint arrangement under K-IFRS 1111 Joint Arrangements. As of September 30, 2017 the entity has been excluded from the range of associates as liquidated.
- (*8) As a general partner of Woori Columbus 1st Private Equity Fund, the Group has significant influence over the entity's operational and financial policy making process, including participating in making decision of dividend or other distribution. As such, the investment in this entity was accounted for using equity method as of September 30, 2017 and December 31, 2016. Meanwhile, as of September 30, 2017, the principal investments in the associates were returned, and is to maintain a 2.0% stake until its liquidation based on the resolution of special meeting of investors.
- (*9) Due to consolidation of stocks and debt-equity swap, the Group's number of holding shares and ownership ratio have decreased.
- (*10) Even though the Group's ownership ratio of the entity was more than 20% as of December 31, 2016, the Group did not have significant influence over the entity due to the fact that the entity was going through workout process under receivership, and thus the entity was excluded from the investment in associates. However, as the workout process was completed during the nine months ended September 30, 2017, it has been included in the investment in associates.
- (*11) Due to capital contribution by the Group during the nine months ended September 30, 2017, the entities were included in the investment in associates
- (*12) The Group has sold a part of shares of the associates so the number of shares holding has decreased during the nine months ended September 30, 2017.
- (*13) Due to debt-equity swap capital stock, the Group ownership ratio have increased during the nine months ended September 30, 2017.
- (*14) As the carrying amounts of certain investments in associates had been reduced to zero, the Group discontinued the use of the equity method in accounting for those investments, and unrecognized losses due to the restricted application of equity method amount to 14,627 million Won and 612 million Won as of September 30, 2017 and December 31, 2016, respectively.
- (*15) Not in scope for the associates, because the Group does not have significant influence over the entity due to the fact that it is going through workout process under receivership as of September 30, 2017.
- (*16) Due to debt-equity swap, the entity was included in the investment in associates during the nine months ended September 30, 2017.

(*17) As the Group sold its entire ownership interest of the entities, it was exclude from the investment in associates during the nine months ended September 30, 2017.

(*18) The entity was sold after it was transferred to assets held for sale and was excluded from the investment in associates.

- (2) Changes in the carrying value of investments in joint ventures and associates accounted for using the equity method of accounting are as follows (Unit: Korean Won in millions):

	For the nine months ended September 30, 2017								
	Acquisition cost	January 1, 2017	Share of profits (losses)	Acquisition (*)	Disposal and others	Dividends	Change in Capital	Others (*)	September 30, 2017
Woori Blackstone Korea Opportunity No.1 Private Equity Fund	-	15,289	(4,621)	-	(7,333)	(3,298)	-	-	37
Kumho Tire Co., Inc.	175,652	200,332	(6,845)	-	-	-	397	-	193,884
Woori Service Networks Co., Ltd.	108	145	10	-	-	(8)	-	-	147
Korea Credit Bureau Co., Ltd.	3,313	5,592	457	-	-	(149)	-	-	5,900
Korea Finance Security Co., Ltd.	3,266	3,376	106	-	-	(54)	-	-	3,428
Chin Hung International Inc.	89,725	43,032	(18,098)	41,053	-	-	1,562	(26,144)	41,405
Poonglim Industrial Co., Ltd.	13,916	-	-	-	-	-	-	-	-
STX Engine Co., Ltd.	92,038	43,036	(300)	-	-	-	4,230	-	46,966
Samho Co., Ltd.	7,492	19,729	2,021	-	(16,354)	-	(73)	(5,323)	-
STX Corporation	42,215	-	(28,520)	8,546	-	-	690	27,772	8,488
Saman Corporation	8,521	8,699	(872)	-	-	-	26	-	7,853
Woori Growth Partnerships New Technology Private Equity Fund	13,602	13,118	(376)	15,099	(498)	-	(156)	-	27,187
2016KIF-IMM Woori Bank Technology Venture Fund	1,800	1,800	-	4,140	-	-	-	-	5,940
K BANK Co., Ltd.	32,500	30,442	(8,501)	11,172	-	-	(139)	25	32,999
Smart Private Equity Fund No.2	3,000	-	(58)	3,000	-	-	-	-	2,942
Woori Bank-Company K Korea Movie Asset Fund	1,500	-	(28)	1,500	-	-	-	-	1,472
Well to Sea No.3 Private Equity Fund	102,500	-	76,962	102,500	(250)	-	-	-	179,212
Woori Renaissance Holdings	-	54,422	(622)	-	-	(57,109)	-	3,309	-
	591,148	439,012	10,715	187,010	(24,435)	(60,618)	6,537	(361)	557,860

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

	For the nine months ended September 30, 2016								September
	Acquisition cost	January 1, 2016	Share of profits (losses)	Acquisi- tion (*1)	Disposal and others (*2)(*3)	Dividends	Change in Capital	Impairment	30, 2016
Woori Blackstone Korea Opportunity No.1 Private Equity Fund	43,917	56,044	1,929	-	(12,286)	(5,607)	-	-	40,080
Kumho Tire Co., Inc.	175,652	214,050	(9,770)	-	-	-	1,828	-	206,108
Woori Service Networks Co., Ltd.	108	139	9	-	-	(12)	-	-	136
Korea Credit Bureau Co., Ltd.	3,313	5,291	147	-	-	(135)	-	-	5,303
Korea Finance Security Co., Ltd.	3,266	3,711	(278)	-	-	(54)	-	-	3,379
United PF 1st Corporate financial stability	172,441	187,592	3,265	-	(190,857)	-	-	-	-
Chin Hung International Inc.	89,725	43,936	(637)	-	-	-	89	-	43,388
Poonglim Industrial Co., Ltd.	13,916	5,313	(2,346)	-	-	-	(2,967)	-	-
STX Engine Co., Ltd.	92,038	51,276	(3,444)	-	-	-	(1,563)	-	46,269
Samho Co., Ltd.	7,492	14,325	3,470	-	-	-	-	-	17,795
STX Corporation	42,215	4,251	(8,179)	-	-	-	3,928	-	-
Osung LST Co., Ltd.	15,405	10,985	(2,903)	-	(6,928)	-	19	(1,173)	-
Saman Corporation	8,521	8,521	418	-	-	-	(74)	-	8,865
K-Growth crowd 2step Fund	800	-	(13)	800	(787)	-	-	-	-
Woori Growth Partnerships New Technology Private Equity Fund	9,561	-	(491)	9,561	-	-	-	-	9,070
Woori Renaissance Holdings	63,000	37,121	2,020	-	-	(2)	-	-	39,139
Woori Columbus 1st Private Equity Fund	1,200	1,306	(43)	-	(1,065)	(198)	-	-	-
	738,430	643,861	(16,846)	10,361	(211,923)	(6,008)	1,260	(1,173)	419,532

- (*1) AFS financial assets decreased by 5,421 million Won through transfers to investments in associates occurred during the nine months ended September 30, 2016.
- (*2) Investments in associates decreased by 155,220 million Won through transfers to AFS financial assets occurred during the nine months ended September 30, 2016.
- (*3) Investments in associates decreased by 6,928 million Won through transfers to assets held for sale occurred during the nine months ended September 30, 2016.

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

	September 30, 2017			
	Assets	Liabilities	Operating revenue	Net income (loss)
Woori Blackstone Korea				
Opportunity No.1 Private Equity Fund	200	31	49,986	(11,992)
Kumho Tire Co., Inc.	5,013,220	3,893,664	1,381,478	(108,119)
Woori Service Networks Co., Ltd.	4,748	1,770	10,869	778
Korea Credit Bureau Co., Ltd.	76,109	19,077	49,223	4,432
Korea Finance Security Co., Ltd.	32,515	9,667	40,135	465
Chin Hung International Inc.	333,173	265,968	349,796	13,950
Poonglim Industrial Co., Ltd.	245,125	305,736	75,085	(1,077)
STX Engine Co., Ltd.	862,594	753,364	188,103	2,851
STX Corporation	584,298	521,144	848,336	349,318
Saman Corporation	97,963	70,965	48,842	(7,604)
Woori Growth Partnerships New Technology Private Equity Fund	118,293	483	291	(2,307)
2016KIF-IMM Woori Bank Technology Venture Fund	28,692	376	4	(1,135)
K BANK Co., Ltd.	961,997	794,293	9,868	(52,161)
Smart Private Equity Fund No.2	14,764	52	1	(288)
Woori Bank-Company K Korea Movie Asset Fund	5,886	-	12	(114)
Well to Sea No.3 Private Equity Fund	5,464,758	4,870,573	153,999	153,999
Woori Columbus 1st Private Equity Fund	21	8	-	(291)

	December 31, 2016			
	Assets	Liabilities	Operating revenue	Net income (loss)
Woori Blackstone Korea				
Opportunity No.1 Private Equity Fund	57,971	427	75,084	38,226
Kumho Tire Co., Inc.	5,079,740	3,914,306	2,156,667	(53,328)
Woori Service Networks Co., Ltd.	4,722	1,782	14,875	801
Korea Credit Bureau Co., Ltd.	71,245	17,322	59,868	3,517
Korea Finance Security Co., Ltd.	32,262	9,759	52,657	700
Chin Hung International Inc.	421,710	354,995	578,640	794
Poonglim Industrial Co., Ltd.	304,718	323,765	156,770	(15,135)
STX Engine Co., Ltd.	865,265	769,481	372,295	(22,978)
Samho Co., Ltd.	740,786	489,130	909,927	68,077
STX Corporation	781,622	1,087,469	1,252,968	(378,782)
Saman Corporation	83,380	47,175	72,850	2,746
Woori Growth Partnerships New Technology Private Equity Fund	57,339	493	37	(2,177)
2016KIF-IMM Woori Bank Technology Venture Fund	9,005	254	5	(250)
K BANK Co., Ltd.	239,806	5,633	2,927	(12,222)
Woori Renaissance Holdings Inc.	127,411	26,703	37,206	33,508
Woori Columbus 1st Private Equity Fund	811	506	3,764	(450)

- (4) The entities that the Group has not applied equity method of accounting although the Group's ownership interest is more than 20% as of September 30, 2017 and December 31, 2016, are as follows:

	As of September 30, 2017	
	Number of shares owned	Ownership (%)
Orient Shipyard Co., Ltd. (*)	465,050 shares	21.4
Saenuel Co., Ltd. (*)	3,531 shares	37.4
E Mirae Tech Co., Ltd. (*)	7,696 shares	41.0
Jehin Trading Co., Ltd. (*)	81,610 shares	27.3
NK Eng Co., Ltd. (*)	697,033 shares	23.1
The season Co., Ltd. (*)	18,187 shares	30.1
Yuil PESC Co., Ltd. (*)	8,642 shares	24.0
Youngdong Sea Food Co., Ltd. (*)	12,106 shares	24.0
Sinseong Trading Co., Ltd. (*)	2,584 shares	27.2
CL Tech Co., Ltd. (*)	13,759 shares	38.6
Force TEC Co., Ltd. (*)	4,780,907 shares	25.8
Protronics Co., Ltd. (*)	95,921 shares	48.1
Gil Co., Ltd. (*)	44,662 shares	26.1
Instern Co., Ltd. (*)	14,296 shares	20.1

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

	As of December 31, 2016	
	Number of shares owned	Ownership (%)
Orient Shipyard Co., Ltd. (*)	465,050 shares	23.0
Saenuel Co., Ltd. (*)	3,531 shares	37.4
E Mirae Tech Co., Ltd. (*)	7,696 shares	41.0
Jehin Trading Co., Ltd. (*)	81,610 shares	27.3
NK Eng Co., Ltd. (*)	697,033 shares	23.1
The season Co., Ltd. (*)	18,187 shares	30.1
Yuil PESC Co., Ltd. (*)	8,642 shares	24.0
Youngdong Sea Food Co., Ltd. (*)	12,106 shares	24.0
Sinseong Trading Co., Ltd. (*)	2,584 shares	27.2
Reading Doctors Co., Ltd. (*)	7,398 shares	35.4
PREXCO Co., Ltd. (*)	919,972 shares	28.1
Hyunwoo International Co., Ltd. (*)	59,873 shares	25.9

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

- (5) As of September 30, 2017 and December 31, 2016, the reconciliations from the net assets of associates based on the ownership ratio of the Group to its corresponding book value of investment in joint ventures and associates are as follows (Unit: Korean Won in millions except for ownership):

As of September 30, 2017							
	Total net asset	Ownership (%)	Net assets of associates (or joint ventures)	Cost-book value differential and others	Impairment	Intercompany transaction and others	Book value
Woori Blackstone Korea Opportunity Private Equity Fund No.1	169	26.4	45	-	-	(8)	37
Kumho Tire Co., Inc. (*)	1,009,658	14.2	142,876	48,459	-	2,549	193,884
Woori Service Networks Co., Ltd.	2,978	4.9	147	-	-	-	147
Korea Credit Bureau Co., Ltd.	57,032	9.9	5,652	248	-	-	5,900
Korea Finance Security Co., Ltd.	22,848	15.0	3,428	-	-	-	3,428
Chin Hung International Inc. (*)	67,061	25.3	16,970	24,565	-	(130)	41,405
Poonglim Industrial Co., Ltd. (*)	(158,028)	30.2	(47,729)	54,542	(20,504)	13,691	-
STX Engine Co., Ltd.	109,230	29.2	31,933	14,954	-	79	46,966
STX Corporation	63,154	19.7	12,453	24,614	(28,579)	-	8,488
Saman Corporation	26,998	9.2	2,480	5,373	-	-	7,853
Woori Growth Partnerships New Technology Private Equity Fund	117,810	23.1	27,187	-	-	-	27,187
2016KIF-IMM Woori Bank Technology Venture Fund	28,316	20.0	5,663	-	-	277	5,940
K BANK Co., Ltd. (*)	254,467	13.0	32,999	-	-	-	32,999
Smart Private Equity Fund No.2	14,712	20.0	2,942	-	-	-	2,942
Woori Bank-Company K Korea Movie Asset Fund	5,886	25.0	1,472	-	-	-	1,472
Well to Sea No.3 Private Equity Fund (*)	358,224	50.0	179,025	-	-	187	179,212
Woori Columbus 1st Private Equity Fund	13	2.0	-	-	-	-	-

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

As of December 31, 2016							
	Total net asset	Ownership (%)	Net assets of associates (or joint ventures)	Cost-book value differential	Impairment	Intercompany transaction and others	Book value
Woori Blackstone Korea Opportunity Private Equity Fund No.1	57,544	26.4	15,191	-	-	98	15,289
Kumho Tire Co., Inc. (*)	1,055,219	14.2	149,324	48,459	-	2,549	200,332
Woori Service Networks Co., Ltd.	2,940	4.9	145	-	-	-	145
Korea Credit Bureau Co., Ltd.	53,923	9.9	5,344	248	-	-	5,592
Korea Finance Security Co., Ltd.	22,503	15.0	3,376	-	-	-	3,376
Chin Hung International Inc. (*)	65,387	28.4	18,593	24,565	-	(126)	43,032
Poonglim Industrial Co., Ltd. (*)	(111,156)	31.0	(34,463)	54,149	(21,062)	1,376	-
STX Engine Co., Ltd.	95,784	29.2	28,002	14,954	-	80	43,036
Samho Co., Ltd.	251,656	7.8	19,729	-	-	-	19,729
STX Corporation (*)	(250,018)	9.5	(23,633)	24,614	(27,904)	26,923	-
Saman Corporation	36,205	9.2	3,326	5,373	-	-	8,699
Woori Growth Partnerships New Technology Private Equity Fund	56,846	23.1	13,118	-	-	-	13,118
2016KIF-IMM Woori Bank Technology Venture Fund	8,751	20.0	1,750	-	-	50	1,800
K BANK Co., Ltd.	234,173	13.0	30,442	-	-	-	30,442
Woori Renaissance Holdings	100,708	51.6	51,965	-	(6,441)	8,898	54,422
Woori Columbus 1st Private Equity Fund	305	2.0	6	-	-	(6)	-

(*) The net asset amount is after reflecting preferred stocks and others.

14. INVESTMENT PROPERTIES

- (1) Investment properties are as follows (Unit: Korean Won in millions):

	September 30, 2017	December 31, 2016
Acquisition cost	393,701	387,675
Accumulated depreciation	(32,346)	(29,178)
Net carrying value	361,355	358,497

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

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Beginning balance	358,497	351,496
Acquisition	5,080	3,133
Disposal	(397)	-
Depreciation	(2,986)	(2,839)
Reversal of impairment losses	112	-
Transfer	1,580	16,319
Classified to assets held for sale	(464)	-
Foreign currencies translation adjustments	(67)	(46)
Ending balance	361,355	368,063

- (3) Fair value of investment properties is amounting to 379,686 million Won and 382,370 million Won as of September 30, 2017 and December 31, 2016, respectively. The fair value of investment property, based on the assessment that was independently performed by external appraisal agencies, is classified as level 3 on the fair value hierarchy as of September 30, 2017 and December 31, 2016.
- (4) Rental fee earned from investment properties is amounting to 3,789 million Won and 3,658 million Won for the nine months ended September 30, 2017 and 2016, respectively.

15. PREMISES AND EQUIPMENT

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

September 30, 2017							
	Land	Building	Properties for business use	Structures in leased office	Construction in progress	Structures	Total
Acquisition cost	1,491,982	866,832	1,022,955	431,683	60,555	20	3,874,027
Accumulated depreciation	-	(181,146)	(836,270)	(365,869)	-	(17)	(1,383,302)
Net carrying value	1,491,982	685,686	186,685	65,814	60,555	3	2,490,725

December 31, 2016							
	Land	Building	Properties for business use	Structures in leased office	Construction in progress	Structures	Total
Acquisition cost	1,488,745	855,332	1,010,141	424,562	18,717	20	3,797,517
Accumulated depreciation	-	(163,633)	(820,239)	(355,604)	-	(16)	(1,339,492)
Net carrying value	1,488,745	691,699	189,902	68,958	18,717	4	2,458,025

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

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

	For the nine months ended September 30, 2016						
	Land	Building	Properties for business use	Structures in leased office	Construction in progress	Structures	Total
Beginning balance	1,493,628	704,017	193,291	79,744	522	4	2,471,206
Acquisition	-	11,386	52,390	16,307	2,575	-	82,658
Disposal	(30)	-	(206)	(1,583)	(67)	-	(1,886)
Depreciation	-	(19,017)	(61,353)	(40,082)	-	(1)	(120,453)
Reversal of impairment loss	-	-	7	-	-	-	7
Classified to assets held for sale	(4,368)	(2,941)	-	-	-	-	(7,309)
Transfer	(11,198)	(5,121)	-	-	-	-	(16,319)
Foreign currencies translation adjustments	(139)	(163)	(815)	(965)	(15)	-	(2,097)
Others	145	119	1,327	30,528	-	-	32,119
Ending balance	<u>1,478,038</u>	<u>688,280</u>	<u>184,641</u>	<u>83,949</u>	<u>3,015</u>	<u>3</u>	<u>2,437,926</u>

16. INTANGIBLE ASSETS AND GOODWILL

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

September 30, 2017							
	Goodwill	Software	Industrial property rights	Development cost	Others	Membership deposit	Total
Acquisition cost	116,544	203,001	884	392,511	631,686	26,540	1,371,166
Accumulated amortization	-	(158,891)	(488)	(177,655)	(502,180)	-	(839,214)
Accumulated impairment losses	-	-	-	-	(59)	(6,979)	(7,038)
Net carrying value	116,544	44,110	396	214,856	129,447	19,561	524,914

December 31, 2016							
	Goodwill	Software	Industrial property rights	Development cost	Others	Membership deposit	Total
Acquisition cost	124,803	185,202	714	299,031	622,540	26,884	1,259,174
Accumulated amortization	-	(149,725)	(401)	(160,335)	(458,088)	-	(768,549)
Accumulated impairment losses	-	-	-	-	(88)	(6,798)	(6,886)
Net carrying value	124,803	35,477	313	138,696	164,364	20,086	483,739

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

For the nine months ended September 30, 2017							
	Goodwill	Software	Industrial property rights	Development cost	Others	Membership deposit	Total
Beginning balance	124,803	35,477	313	138,696	164,364	20,086	483,739
Acquisition	105	9,351	170	102,051	17,824	560	130,061
Disposal	-	-	-	-	(38)	(866)	(904)
Amortization (*)	-	(12,212)	(87)	(17,326)	(45,539)	-	(75,164)
Impairment loss	-	-	-	-	-	(181)	(181)
Transfer	-	8,072	-	(8,108)	36	-	-
Foreign currencies translation adjustment	(8,364)	(99)	-	(402)	(968)	(33)	(9,866)
Others	-	3,521	-	(55)	(6,232)	(5)	(2,771)
Ending balance	116,544	44,110	396	214,856	129,447	19,561	524,914

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

For the nine months ended September 30, 2016							
	Goodwill	Software	Industrial property rights	Development cost	Others	Membership deposit	Total
Beginning balance	103,525	38,171	344	51,357	201,769	24,640	419,806
Acquisition	-	2,029	4	23,104	41,244	1,902	68,283
Disposal	-	-	-	-	(23)	(3,408)	(3,431)
Amortization	-	(11,328)	(71)	(13,373)	(43,063)	-	(67,835)
Impairment loss(Reversal of)	-	-	-	-	3,231	(923)	2,308
Foreign currencies translation adjustments	(839)	-	-	(1)	(898)	(115)	(1,853)
Others	137	-	-	-	1,151	(23)	1,265
Ending balance	102,823	28,872	277	61,087	203,411	22,073	418,543

17. ASSETS HELD FOR SALE

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

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Premises and equipment and others	2,909	2,342

18. ASSETS SUBJECT TO LIEN AND ASSETS ACQUIRED THROUGH FORECLOSURES

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

		<u>September 30, 2017</u>		
		<u>Collateral given to</u>	<u>Amount</u>	<u>Reason for collateral</u>
Loan and receivables	Due from banks on time in foreign currencies	The Bank of China and others	6,890	Collaterals for issuing letter of guarantee and others
	Due from banks in local currency	Samsung Securities Co., Ltd. and others	9,298	Margin deposit for futures or option
	Due from banks in foreign currencies	Korea Investment & Securities Co., Ltd. and others	228,393	Foreign margin deposit for future or option and others
Financial assets at FVTPL	Financial institutions debt securities and others	Yuanta Securities Co., Ltd. and others	269,686	Substitute securities and others
AFS financial assets	Korean treasury and government agencies bonds and others	Korea Securities Depository and others	121,227	Related to bonds sold under repurchase agreements (*)
	Korean treasury and government agencies bonds and others	The BOK and others	1,602,529	Settlement risk and others
HTM financial assets	Korean treasury and government agencies bonds	Korea Securities Depository	5,432	Related to bonds sold under repurchase agreements (*)
	Financial institutions debt securities and others	The BOK and others	8,088,568	Settlement risk and others
Premises and equipment		Credit Counselling & Recovery Service and others		
	Land and building		6,186	Leasehold rights and others
		Total	<u>10,338,209</u>	

(*) The Group enters into the repurchase agreements at predetermined price or original sale price added with certain rate of return after the disposal of securities. In this regards, the securities are provided as collaterals, and the purchasers are eligible to dispose or provide them as collateral. Therefore, as such securities have been transferred but have not been derecognized, the Group recognizes the relevant amount as liability (bond sold under repurchase agreements).

		<u>December 31, 2016</u>		
		<u>Collateral given to</u>	<u>Amount</u>	<u>Reason for collateral</u>
Loan and receivables	Due from banks in local currency	Samsung Securities Co., Ltd. and others	24,589	Margin deposit for futures and options and others
	Due from banks in foreign currencies	Korea Investment & Securities Co., Ltd. and others	227,249	Foreign margin deposit for future or option and others
Financial assets at FVTPL	Financial institutions debt securities and others	Yuanta Securities Co., Ltd. and others	473,476	Substitute securities and others
AFS financial assets	Korean treasury and government agencies bonds	Korea Securities Depository and others	2,546,683	Related to bonds sold under repurchase agreements (*)
	Financial institutions debt securities and others	The BOK and others	836,522	Settlement risk and others
HTM financial assets	Korean treasury and government agencies bonds	Korea Securities Depository and others	7,133	Related to bonds sold under repurchase agreements (*)
	Korean treasury and government agencies bonds and others	The BOK and others	6,185,295	Settlement risk and others

		December 31, 2016		
		Collateral given to	Amount	Reason for collateral
Premises and equipment	Land and Building	Credit Counselling & Recovery Service and others	6,310	Leasehold rights and others
		Total	<u>10,307,257</u>	

(*) The Group enters into the repurchase agreements at predetermined price or original sale price added with certain rate of return after the disposal of securities. In this regards, the securities are provided as collaterals, and the purchasers are eligible to dispose or provide them as collateral. Therefore, as such securities have been transferred but have not been derecognized, the Group recognizes the relevant amount as liability (bond sold under repurchase agreements).

(2) The carrying amounts of buildings acquired through foreclosure are as follows (Unit: Korean Won in millions):

	September 30, 2017	December 31, 2016
Land	-	4,138
Buildings	-	1,852
Properties for business use	-	202
Total	<u>-</u>	<u>6,192</u>

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

		September 30, 2017	December 31, 2016	Loaned to
Financial assets at FVTPL	Korean Equity securities	-	4,459	Samsung Securities Co., Ltd. and others
AFS financial assets	Korean treasury and government agencies bonds and others	170,899	493,579	Korea Securities Finance Corporation and others
	Total	<u>170,899</u>	<u>498,038</u>	

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

(4) Collaterals held that can be disposed and re-subjected to lien regardless of defaults of counterparties

Fair values of collaterals held can be disposed and re-subjected to lien regardless of defaults of counterparties as of September 30, 2017 and December 31, 2016 are as follows (Unit: Korean Won in millions):

	September 30, 2017	
	Fair values of collaterals	Fair values of collaterals were disposed or re-subjected to lien
Securities	8,771,756	-
	December 31, 2016	
	Fair values of collaterals	Fair values of collaterals were disposed or re-subjected to lien
Securities	8,746,101	-

19. OTHER ASSETS

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

	September 30, 2017	December 31, 2016
Prepaid expenses	197,201	111,445
Advance payments	9,418	1,944
Non-operative assets	-	6,192
Others	8,764	9,265
Total	215,383	128,846

20. FINANCIAL LIABILITIES AT FVTPL

Financial liabilities at FVTPL are composed of financial liabilities held for trading and financial liabilities designated at FVTPL.

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

	September 30, 2017	December 31, 2016
Financial liabilities held for trading	2,025,756	3,036,478
Financial liabilities designated at FVTPL	442,350	766,880
Total	2,468,106	3,803,358

(2) Financial liabilities held for trading are as follows (Unit: Korean Won in millions):

	September 30, 2017	December 31, 2016
Deposits due to Customers:		
Gold banking liabilities	26,327	26,501
Derivative liabilities	1,995,528	3,009,977
Securities sold	3,901	-
Total	2,025,756	3,036,478

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

	September 30, 2017	December 31, 2016
Equity linked securities index:		
Equity linked securities index in short position	349,409	673,906
Debentures:		
Debentures in local currency	92,941	92,974
Total	442,350	766,880

(4) Credit risk adjustments to financial liabilities designated at FVTPL is as follows (Unit: Korean Won in millions):

	For the nine months ended September 30	
	2017	2016
Financial liabilities designated at FVTPL subject to credit risk adjustments	442,350	745,038
Changes in fair value for credit risk adjustments	(117)	(841)
Accumulated changes in fair value for credit risk adjustments	(15,878)	(15,814)

Credit risk adjustments are applied to reflect the Group's own credit risk when measuring derivative liabilities at fair value. The methodology to determine the adjustment incorporates the Group's credit spread as observed through credit ratings.

- (5) The differences between financial liabilities at FVTPL's carrying amount and nominal amount at maturity are as follows (Unit: Korean Won in millions):

	September 30, 2017	December 31, 2016
Carrying amount	442,350	766,880
Nominal amount at maturity	456,732	902,375
Difference	(14,382)	(135,495)

21. DEPOSITS DUE TO CUSTOMERS

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

	September 30, 2017	December 31, 2016
Deposits in local currency:		
Deposits on demand	8,760,841	9,491,680
Deposits at termination	188,294,638	183,723,369
Mutual installment	34,821	37,128
Deposits on notes payables	1,133,005	943,446
Deposits on CMA	172,862	203,013
Certificate of deposits	5,788,205	3,836,430
Other deposits	1,381,311	1,360,176
Sub-total	205,565,683	199,595,242
Deposits in foreign currencies	20,831,234	21,453,096
Present value discount	(52,684)	(27,927)
Total	226,344,233	221,020,411

22. BORROWINGS AND DEBENTURES

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

	September 30, 2017		
	Lenders	Interest rate (%)	Amount
Borrowings in local currency:			
Borrowings from The BOK	The BOK	0.5 ~ 0.8	1,457,178
Borrowings from government funds	Small Enterprise And Market Service and others	0.0 ~ 3.5	1,634,535
Others	The Korea Development Bank and others	0.0 ~ 3.8	3,907,323
Sub-total			6,999,036
Borrowings in foreign currencies:			
Borrowings in foreign currencies	The Export-Import BOK and others	0.0 ~ 7.3	7,944,067
Offshore borrowings in foreign currencies	Commonwealth Bank	1.8	30,273
Sub-total			7,974,340
Bills sold	Others	0.0 ~ 1.2	30,643
Call money	Bank and others	0.0 ~ 4.4	1,196,183
Bonds sold under repurchase agreements	Other financial institutions	0.6 ~ 8.6	114,586
Present value discount			(289)
Total			16,314,499

December 31, 2016			
	Lenders	Interest rate (%)	Amount
Borrowings in local currency:			
Borrowings from the BOK	The BOK	0.5 ~ 0.8	1,598,553
Borrowings from government funds	Small and Medium Business Corporation and others	0.0 ~ 3.5	1,534,807
Others	Seoul Metropolitan Government and others	0.0 ~ 3.8	3,922,878
Sub-total			7,056,238
Borrowings in foreign currencies:			
Borrowings in foreign currencies	The Export-Import BOK and others	0.0 ~ 5.2	7,737,237
Offshore borrowings in foreign currencies	Wells Fargo	1.4	18,128
Sub-total			7,755,365
Bills sold	Others	0.0 ~ 1.6	26,895
Call money	Bank and others	0.0 ~ 5.1	1,926,779
Bonds sold under repurchase agreements	Other financial institutions	0.0 ~ 4.5	2,004,905
Present value discount			(667)
Total			18,769,515

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

	September 30, 2017		December 31, 2016	
	Interest rate (%)	Amount	Interest rate (%)	Amount
Face value of bond(*):				
Ordinary bonds	1.5 ~ 11.8	22,495,833	1.5 ~ 11.8	18,268,403
Subordinated bonds	3.4 ~ 12.6	4,725,384	3.0 ~ 12.6	5,327,335
Other bonds	1.6 ~ 17.0	348,166	17.0	4,006
Sub-total		27,569,383		23,599,744
Discounts on bond		(32,370)		(34,295)
Total		27,537,013		23,565,449

(*) Included debentures under fair value hedge relationships are 3,355,581 million Won and 3,610,193 million Won as of September 30, 2017 and December 31, 2016, respectively. Also, debentures under cash flow hedge amounting to 401,744 million Won are included.

23. PROVISIONS

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

	September 30, 2017	December 31, 2016
Asset retirement obligation	61,759	58,076
Provision for guarantee (*1)	193,290	238,117
Provisions for unused commitments	85,260	87,909
Provisions for customer reward credits	39,786	22,093
Other provisions (*2)	21,090	22,282
Total	401,185	428,477

(*1) Provision for guarantee includes provision for financial guarantee of 63,307 million Won and 67,557 million Won as of September 30, 2017 and December 31, 2016, respectively.

(*2) Other provisions consist of provision for litigation, provision for loss recovery, and others.

(2) Changes in provisions except for asset retirement obligation are as follows (Unit: Korean Won in millions):

For the nine months ended September 30, 2017					
	Provision for guarantees	Provision for unused commitments	Provisions for customer reward credits	Other provisions	Total
Beginning balance	238,117	87,909	22,093	22,282	370,401
Provisions provided	1,773	2,043	46,713	3,970	54,499
Provisions used	(17,260)	(35)	(65,228)	(7,136)	(89,659)
Reversal of unused amount	(48,964)	(4,671)	-	(57)	(53,692)
Differences due to foreign currencies translation	53	14	-	(153)	(86)
Transfer(*)	-	-	17,507	-	17,507
Others	19,571	-	18,701	2,184	40,456
Ending balance	193,290	85,260	39,786	21,090	339,426

(*) According to contracts with the third parties, the Group ultimately will be reimbursed for which it has paid out on behalf of customers, which has incurred through their customer loyalty programs. Therefore, when such obligation incurs, the Group recognizes it as “transfer”, but there is no impact on the Group’s expense.

For the nine months ended September 30, 2016					
	Provision for guarantees	Provision for unused commitments	Provisions for customer reward credits	Other provisions	Total
Beginning balance	364,141	85,313	5,445	22,581	477,480
Provisions provided	4,513	13,247	16,882	3,871	38,513
Provisions used	(81,410)	(20)	(7,808)	(9,508)	(98,746)
Reversal of unused amount	(68,532)	(1,153)	-	-	(69,685)
Transfer	-	-	40	-	40
Others	13,725	(43)	858	(6)	14,534
Ending balance	232,437	97,344	15,417	16,938	362,136

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

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Beginning balance	58,076	39,121
Provisions provided	1,479	1,437
Provisions used	(987)	(706)
Reversal of unused amount	(732)	-
Amortization	313	347
Increase in asset retirement expense and others	3,610	18,509
Ending balance	61,759	58,708

24. NET DEFINED BENEFIT LIABILITY(ASSET)

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

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

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

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

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

	September 30, 2017	December 31, 2016
Defined benefit obligation	1,040,983	984,381
Fair value of plan assets	(1,020,484)	(990,653)
Net defined benefit liability (asset)	20,499	(6,272)

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

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Beginning balance	984,381	901,219
Current service cost	110,279	115,148
Interest expense	19,709	18,038
Remeasurements	(29,030)	63,649
Foreign currencies translation adjustments	(124)	(10)
Retirement benefit paid	(33,563)	(31,047)
Curtailment or liquidation	(10,928)	(9,243)
Others	259	370
Ending balance	1,040,983	1,058,124

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

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Beginning balance	990,653	801,528
Interest income	22,682	18,571
Remeasurements	(11,301)	(5,945)
Employer's contributions	18,000	218,250
Retirement benefit paid	(31,611)	(30,208)
Curtailment or liquidation	(11,052)	(8,905)
Others	43,113	(5,259)
Ending balance	1,020,484	988,032

- (4) Plan assets wholly consist of time deposits as of September 30, 2017 and December 31, 2016, respectively. Among plan assets, realized returns on plan assets amount to 11,381 million Won and 12,626 million Won for the nine months ended September 30, 2017 and 2016, respectively.

It is expected that the Group shall contribute 131,248 million Won for the plan for the year ended December 31, 2017.

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

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Current service cost	110,279	115,148
Net interest income	(2,973)	(533)
Loss(gain) on the curtailment or liquidation	124	(338)
Cost recognized in net income	107,430	114,277
Remeasurements	(17,729)	69,594
Cost recognized in total comprehensive income	89,701	183,871

Retirement benefit service costs related to defined contribution plans are recognized 3,317 million Won and 3,095 million Won for the nine months ended September 30, 2017 and 2016, respectively.

- (6) Key actuarial assumptions used in defined benefit liability (asset) assessment are as follows:

	September 30, 2017	December 31, 2016
Discount rate	3.08%	2.85%
Future wage growth rate	6.07%	6.05%
Mortality rate	Issued by Korea Insurance Development Institute	Issued by Korea Insurance Development Institute
Retirement rate	Experience rate for each employment classification	Experience rate for each employment classification

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

		September 30, 2017	December 31, 2016
Discount rate	Increase by 1% point	(109,427)	(107,203)
	Decrease by 1% point	126,324	125,395
Future wage growth rate	Increase by 1% point	125,974	124,766
	Decrease by 1% point	(110,722)	(108,344)

25. OTHER FINANCIAL LIABILITIES AND OTHER LIABILITIES

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

	September 30, 2017	December 31, 2016
Other financial liabilities:		
Accounts payable	10,402,098	5,626,661
Accrued expenses	2,088,022	2,055,936
Borrowings from trust accounts	3,334,570	3,329,683
Agency business revenue	687,719	331,159
Foreign exchange payables	618,663	702,968
Domestic exchange payables	4,677,410	8,480,765
Other miscellaneous financial liabilities	1,722,289	1,458,747
Present value discount	(1,141)	(833)
Sub-total	23,529,630	21,985,086
Other liabilities:		
Unearned income	179,517	171,050
Other miscellaneous liabilities	143,696	128,326
Sub-total	323,213	299,376
Total	23,852,843	22,284,462

26. DERIVATIVES

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

	September 30, 2017						
	Nominal amount	Assets			Liabilities		
		For cash flow hedge	For fair value Hedge	For trading	For cash flow hedge	For fair value hedge	For trading
Interest rate:							
Futures	76,034	-	-	-	-	-	-
Swaps	131,017,740	-	109,385	289,979	-	10,333	310,652
Purchase options	690,000	-	-	14,065	-	-	-
Written options	945,000	-	-	-	-	-	14,793
Currency:							
Futures	634,228	-	-	-	-	-	-
Forwards	73,885,352	-	-	615,117	-	-	549,603
Swaps	51,241,604	443	-	735,760	18,274	-	766,045
Purchase options	2,853,953	-	-	30,079	-	-	-
Written options	4,674,360	-	-	-	-	-	38,148
Equity:							
Futures	354,803	-	-	-	-	-	-
Swaps	15,000	-	-	134	-	-	20
Purchase options	6,369,003	-	-	164,066	-	-	-
Written options	7,376,209	-	-	-	-	13,012	315,854
Others:							
Futures	3,582	-	-	-	-	-	-
Swaps	1,987	-	-	65	-	-	55
Purchase options	6,970	-	-	124	-	-	-
Written options	24,523	-	-	-	-	-	358
Total	280,170,348	443	109,385	1,849,389	18,274	23,345	1,995,528

December 31, 2016					
	Notional amount	Assets		Liabilities	
		For fair value Hedge	For trading	For fair value hedge	For trading
Interest rate:					
Futures	54,785	-	-	-	-
Swaps	118,582,511	139,832	470,057	7,013	509,686
Purchase options	860,000	-	21,172	-	-
Written options	1,035,000	-	-	-	21,863
Currency:					
Futures	493,733	-	-	-	-
Forwards	62,539,094	-	1,265,852	-	1,015,380
Swaps	39,782,049	-	1,022,969	-	1,221,959
Purchase options	1,120,949	-	42,126	-	-
Written options	907,211	-	-	-	8,589
Equity:					
Futures	926,392	-	-	-	-
Swaps	15,000	-	92	-	88
Purchase options	3,007,969	745	73,261	-	-
Written options	4,460,233	-	-	208	228,900
Others:					
Futures	5,105	-	-	-	-
Swaps	7,918	-	2,645	-	2,331
Purchase options	8,307	-	121	-	-
Written options	64,352	-	-	-	1,181
Total	233,870,608	140,577	2,898,295	7,221	3,009,977

Derivatives held for trading purpose are classified into financial assets or liabilities at FVTPL (see Notes 7 and 20) and derivatives for hedging are stated as a separate line item in the consolidated statements of financial position.

- (2) Gains or losses from valuation of financial instruments under hedge accounting are as follows (Unit: Korean Won in millions):

	For the nine months ended September 30	
	2017	2016
Losses from hedged items	18,199	(51,661)
Gains from hedging instruments	(32,073)	45,945

Meanwhile, the maximum period that the Group is exposed to cash flow risk arising from the hedging transaction discussed above will be terminated by January 2020.

Among gain (loss) on valuation of derivatives that was included in the accumulated other comprehensive income, the amount has been reclassified to loss is 16,899 million Won, before reduction of income tax effect during the nine months ended September 30, 2017.

27. DEFERRED DAY 1 PROFITS OR LOSSES

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

	For the nine months ended September 30	
	2017	2016
Beginning balance	13,422	28,008
New transactions	500	1,337
Amounts recognized in profits or losses	(5,271)	(13,498)
Ending balance	8,651	15,847

In case some variables to measure fair values of financial instruments are not observable or available in the market, valuation techniques are utilized to evaluate such financial instruments. Those financial instruments are recorded at the fair value produced by the valuation techniques as at the time of acquisition, even though there are difference noted between the transaction price and the fair value. The table above presents the difference yet to be realized as profit or losses as of September 30, 2017 and December 31, 2016.

28. CAPITAL STOCK AND CAPITAL SURPLUS

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

	September 30, 2017	December 31, 2016
Authorized shares of common stock	5,000,000,000 Shares	5,000,000,000 Shares
Par value	5,000 Won	5,000 Won
Issued shares of common stock	676,000,000 Shares	676,000,000 Shares
Capital stock	3,381,392 million Won	3,381,392 million Won

(2) There is no change to be disclosed in numbers of issued and outstanding shares of common stock for the nine months ended September 30, 2017 and 2016.

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

	September 30, 2017	December 31, 2016
Capital in excess of par value	269,533	269,533
Other capital surplus	17,533	16,798
Total	287,066	286,331

29. HYBRID SECURITIES

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

	Issue date	Maturity	Interest rate (%)	September 30, 2017	December 31, 2016
Securities in local currency	June 20, 2008	June 20, 2038	7.7	255,000	255,000
	March 8, 2012	March 8, 2042	5.8	-	190,000
	April 25, 2013	April 25, 2043	4.4	500,000	500,000
	November 13, 2013	November 13, 2043	5.7	200,000	200,000
	December 12, 2014	December 12, 2044	5.2	160,000	160,000
	June 3, 2015	June 3, 2045	4.4	240,000	240,000
Securities in foreign currencies	May 2, 2007	May 2, 2037	6.2	-	930,900
	June 10, 2015	June 10, 2045	5.0	559,650	559,650
	September 27, 2016	-	4.5	553,450	553,450
	May 16, 2017	-	5.3	562,700	-
Issuance cost				(12,912)	(14,104)
Total				<u>3,017,888</u>	<u>3,574,896</u>

With respect to the hybrid securities issued, there's no maturity or the contractual agreements allow the Group to indefinitely extend the maturity date and defer the payment of interest. If the Group makes a resolution not to pay dividends on common stock, and then, the Group is exonerated from interest payment on the hybrid securities.

30. OTHER EQUITY

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

	September 30, 2017	December 31, 2016
Accumulated other comprehensive income:		
Gain on valuation of available-for-sale financial assets	335,501	386,981
Share of other comprehensive loss of joint ventures and associates	3,054	(1,863)
Loss on foreign currency translation of foreign operations	(96,859)	(48,353)
Remeasurement loss related to defined benefit plan	(150,197)	(163,397)
Loss on valuation of cash flow hedges	(1,247)	-
Sub-total	90,252	173,368
Treasury shares	(34,113)	(34,113)
Other capital adjustments	(1,815,438)	(1,607,280)
Total	(1,759,299)	(1,468,025)

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

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

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

	For the nine months ended September 30, 2016				
	Beginning balance	Increase (decrease)(*)	Reclassification adjustments(*)	Income tax effect	Ending balance
Gain (loss) on valuation of available-for-sale financial assets	374,685	101,744	(43,234)	(6,856)	426,339
Share of other comprehensive income (loss) of joint ventures and associates	6,074	1,242	(3,906)	(301)	3,109
Gain (loss) on foreign currency translation of foreign operations	(70,789)	(98,679)	-	24,004	(145,464)
Remeasurement of the net defined benefit liability	(197,579)	(69,593)	-	16,810	(250,362)
Cash flow hedges	(10,371)	10,371	-	-	-
Total	102,020	(54,915)	(47,140)	33,657	33,622

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

31. RETAINED EARNINGS

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

		September 30, 2017	December 31, 2016
Legal reserve	Legal reserve	1,729,754	1,622,754
	Other legal reserve	45,669	44,634
	Sub-total	1,775,423	1,667,388
Voluntary reserve	Business rationalization reserve	8,000	8,000
	Reserve for financial structure improvement	235,400	235,400
	Additional reserve	7,418,806	7,073,104
	Regulatory reserve for credit loss	2,438,191	2,255,252
	Revaluation reserve	751,964	753,908
	Other voluntary reserve	11,700	11,700
	Sub-total	10,864,061	10,337,364
Retained earnings before appropriation		2,884,032	2,606,814
Total		15,523,516	14,611,566

i. Legal reserve

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

ii. Other legal reserve

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

iii. Business rationalization reserve

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

iv. Reserve for financial structure improvement

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

v. Additional reserve and other voluntary reserve

Additional reserve and other voluntary reserve were appropriated for capital adequacy and other management purpose.

vi. Regulatory reserve for credit loss

In accordance with Article 29 of the Regulation on Supervision of Banking Business ("RSBB"), if provisions for credit loss under K-IFRS for the accounting purpose are lower than provisions under RSBB, the Group discloses such short fall amount as regulatory reserve for credit loss.

vii. Revaluation reserve

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

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

	For the nine months ended September 30	
	2017	2016
Beginning balance	14,611,566	13,726,122
Net attributable to owners	1,378,507	1,105,915
Dividends on common stock	(336,636)	(168,317)
Dividends on hybrid securities	(129,921)	(149,506)
Ending balance	15,523,516	14,514,214

32. REGULATORY RESERVE FOR CREDIT LOSS

In accordance with Paragraph 1 and 2 of Article 29 of the Regulation on the Supervision of Banking Business (“RSBB”), if the estimated provisions for credit loss under K-IFRS for the accounting purpose are lower than those in accordance with the provisions under the RSBB, the Group shall disclose the difference as the planned regulatory reserve for credit loss.

(1) Balance of the planned regulatory reserve for credit loss is as follows (Unit: Korean Won in millions):

	September 30, 2017	December 31, 2016
Beginning balance	2,438,191	2,255,252
Planned provision of regulatory reserve for credit loss	102,705	182,939
Ending balance	2,540,896	2,438,191

(2) Planned reserves provided, adjusted net income after the planned reserves provided and adjusted earnings per share after the planned reserves provided are as follows (Unit: Korean Won in millions, except for earnings per share amount):

	2017		2016	
	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30
Net income	283,426	1,392,441	359,392	1,117,179
Provision (reversal) of regulatory reserve for credit loss	52,744	102,705	(13,306)	(480)
Adjusted net income after the provision(reversal) of regulatory reserve	230,682	1,289,736	372,698	1,117,659
Adjusted EPS after the provision (reversal) of regulatory reserve(Unit: Korean Won)	285	1,723	481	1,439

33. DIVIDENDS

At the shareholders’ meeting on March 24, 2017, dividend payment for the year ended December 31, 2016 amounting to 269,308 million Won (400 Won per share) was approved.

In addition, on July 28, 2017, the board of directors approved interim dividend payment of 100 Won per share, which amounts to 67,328 million Won in total and such dividend was paid during the nine months ended September 30, 2017.

34. NET INTEREST INCOME

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

	2017		2016	
	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30
Financial assets at FVTPL	14,680	41,486	14,168	43,852
AFS financial assets	67,021	211,088	84,641	261,181
HTM financial assets	77,349	227,022	88,245	277,737
Loans and receivables:				
Interest on due from banks	21,869	63,272	16,955	50,832
Interest on loans	1,999,561	5,809,569	1,895,734	5,739,685
Interest of other receivables	7,349	24,976	9,182	29,200
Sub-total	2,028,779	5,897,817	1,921,871	5,819,717
Total	2,187,829	6,377,413	2,108,925	6,402,487

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

	2017		2016	
	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30
Interest on deposits due to customers	596,923	1,771,307	618,854	1,945,407
Interest on borrowings	59,575	175,123	51,616	161,748
Interest on debentures	162,556	468,360	154,735	464,792
Other interest expense	17,219	60,747	27,278	85,340
Total	836,273	2,475,537	852,483	2,657,287

35. NET FEES AND COMMISSIONS INCOME

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

	2017		2016	
	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30
Fees and commissions received (*)	172,487	508,809	163,273	496,737
Fees and commissions received for provision of guarantee	16,538	48,238	15,982	50,145
Fees and commissions received on project financing	5,466	11,800	4,434	17,923
Fees and commissions received on credit card	270,229	797,795	246,363	699,283
Fees and commissions received on securities	19,984	60,251	20,515	53,998
Other fees and commissions received	49,893	121,597	31,435	70,746
Total	534,597	1,548,490	482,002	1,388,832

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

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

	2017		2016	
	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30
Fees and commissions paid	44,128	117,295	38,632	119,046
Credit card commission	212,123	612,472	201,206	557,657
Brokerage commission	214	562	97	531
Others	1,263	3,592	560	2,085
Total	257,728	733,921	240,495	679,319

36. DIVIDEND INCOME

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

	2017		2016	
	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30
Dividend from financial assets at FVTPL	23	213	90	841
Dividend from AFS financial assets	48,819	108,074	16,791	136,439
Total	48,842	108,287	16,881	137,280

37. GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AT FVTPL

- (1) Details of gains or losses related to financial instruments at FVTPL are as follows (Unit: Korean Won in millions):

	2017		2016	
	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30
Gains (losses) on financial instruments held for trading	67,214	7,028	(10,729)	370
Losses on financial instruments designated at FVTPL	(18,441)	(104,664)	(91,633)	(44,136)
Total	48,773	(97,636)	(102,362)	(43,766)

- (2) Gains (losses) on financial instruments held for trading are as follows (Unit: Korean Won in millions):

			2017		2016	
			Three months ended	Nine months ended	Three months ended	Nine months ended
			September 30	September 30	September 30	September 30
Financial Instruments held for trading	Securities	Gain on valuation	(2,220)	3,675	166	17,180
		Gain on disposals	6,954	16,814	3,786	21,772
		Loss on valuation	(1,498)	(8,009)	(1,813)	(5,164)
		Loss on disposals	(1,543)	(3,600)	(2,527)	(7,507)
		Sub-total	1,693	8,880	(388)	26,281
	Other financial instruments	Gain on valuation	1,742	4,813	1,717	12,085
		Gain on disposals	954	1,887	707	2,248
		Loss on valuation	(2,243)	(5,833)	(2,102)	(12,487)
		Loss on disposals	(317)	(551)	(275)	(1,590)
		Sub-total	136	316	47	256
Total		1,829	9,196	(341)	26,537	
Derivatives (for trading)	Interest rates derivatives	Gain on transactions and valuation	242,785	676,134	220,952	1,059,261
		Loss on transactions and valuation	(236,425)	(658,159)	(187,315)	(1,084,307)
		Sub-total	6,360	17,975	33,637	(25,046)
	Currencies derivatives	Gain on transactions and valuation	821,443	4,595,008	2,554,939	5,300,990
		Loss on transactions and valuation	(774,537)	(4,718,146)	(2,688,639)	(5,320,934)
		Sub-total	46,906	(123,138)	(133,700)	(19,944)
	Equity derivatives	Gain on transactions and valuation	95,483	398,410	109,869	180,014
		Loss on transactions and valuation	(83,339)	(294,890)	(19,766)	(156,588)
		Sub-total	12,144	103,520	90,103	23,426
	Other derivatives	Gain on transactions and valuation	2,084	14,396	11,522	30,166
		Loss on transactions and valuation	(2,109)	(14,921)	(11,950)	(34,769)
		Sub-total	(25)	(525)	(428)	(4,603)
	Total		65,385	(2,168)	(10,388)	(26,167)
	Total		67,214	7,028	(10,729)	370

- (3) Gains (losses) on financial instruments designated at FVTPL are as follows (Unit: Korean Won in millions):

	2017		2016	
	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30
Gain (loss) on equity-linked securities				
Loss on disposals of equity-linked securities	(27,988)	(43,865)	(12,698)	(19,851)
Gain (loss) on valuation of equity-linked securities	8,901	(60,813)	(79,634)	(26,641)
Sub-total	(19,087)	(104,678)	(92,332)	(46,492)
Gain (loss) on other securities:				
Gain (loss) on valuation of other securities	(4)	(20)	(35)	355
Gain on other financial instruments:				
Gain on valuation of other financial instruments	650	34	734	2,001
Total	(18,441)	(104,664)	(91,633)	(44,136)

38. GAINS (LOSSES) ON AFS FINANCIAL ASSETS

Gains (losses) on AFS financial assets are as follows (Unit: Korean Won in millions):

	2017		2016	
	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30
Gains on redemption of securities	150	697	-	611
Gains on transaction of securities	48,753	165,015	12,204	49,105
Impairment losses on securities	(4,630)	(17,267)	(8,315)	(16,944)
Total	44,273	148,445	3,889	32,772

39. IMPAIRMENT LOSSES DUE TO CREDIT LOSS

Impairment losses on loans and receivables, guarantees and loan commitment recognized for credit loss are as follows (Unit: Korean Won in millions):

	2017		2016	
	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30
Impairment losses due to credit loss	(216,865)	(550,841)	(218,210)	(722,768)
Reversal of provision on (provision provided for) guarantee	2,223	47,191	(11,635)	64,019
Reversal of provision on (provision provided for) loan commitment	(2,617)	2,628	(10,254)	(12,094)
Total	(217,259)	(501,022)	(240,099)	(670,843)

40. GENERAL ADMINISTRATIVE EXPENSES AND OTHER NET OPERATING INCOME (EXPENSES)

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

			2017		2016	
			Three months ended	Nine months ended	Three months ended	Nine months ended
			September 30	September 30	September 30	September 30
Employee benefits	Short term employee benefits	Salaries Employee benefits	334,986	989,177	319,946	954,288
		Retirement benefit service costs	144,596	358,196	97,737	281,718
		Termination	36,690	110,747	39,538	117,372
			298,780	304,257	359	93,150
		Sub-total	815,052	1,762,377	457,580	1,446,528
Depreciation and amortization			44,753	139,680	58,697	188,288
Other administ-rative expenses	Rent		77,971	234,679	77,103	233,016
	Taxes and dues		23,637	86,815	23,612	86,297
	Service charges		50,240	146,658	59,196	174,809
	Computer and IT related		18,998	49,475	17,695	59,511
	Telephone and communication		16,501	48,091	15,708	45,697
	Operating promotion		9,981	31,034	11,755	33,752
	Advertising		12,426	42,306	12,680	46,959
	Printing		1,877	6,114	2,041	7,054
	Traveling		3,688	9,712	2,690	7,723
	Supplies		1,624	4,741	1,507	4,649
	Insurance premium		2,193	6,362	2,001	5,600
	Reimbursement		5,657	14,834	5,528	14,564
	Maintenance		5,860	12,742	3,928	11,397
	Water, light, and heating		3,835	10,981	4,123	11,563
	Vehicle maintenance		2,519	7,483	2,526	7,219
	Others		11,813	32,968	8,860	27,156
		Sub-total	248,820	744,995	250,953	776,966
		Total	1,108,625	2,647,052	767,230	2,411,782

(2) Other operating income recognized is as follows (Unit: Korean Won in millions):

		2017		2016	
		Three months ended	Nine months ended	Three months ended	Nine months ended
		September 30	September 30	September 30	September 30
Gains on transaction of foreign exchange		623,165	2,322,152	942,888	3,578,188
Gains on disposal of loans and receivables		(907)	200,953	28,073	201,538
Gains on transactions of derivatives		(3,961)	7,695	(33,782)	77,723
Gains on fair value hedged items		13,195	25,055	12,489	30,602
Others (*)		4,294	72,962	35,001	94,926
	Total	635,786	2,628,817	984,669	3,982,977

(*) Other income includes such income amounting to 28,800 million Won and 69,920 million Won for the nine months ended September 30, 2017 and 2016, respectively, that the Group recognized for it is to receive from other creditor financial institutions in accordance with the creditor financial institutions committee agreement.

(3) Other operating expenses recognized are as follows (Unit: Korean Won in millions):

	2017		2016	
	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30
Losses on transaction of foreign exchange	579,896	1,954,660	803,365	3,395,558
KDIC deposit insurance fees	77,125	227,381	75,451	219,952
Contribution to miscellaneous funds	70,741	215,003	71,656	222,599
Losses on disposal of loans and receivables	7,574	7,602	2,481	2,486
Losses related to derivatives	8,637	39,768	12,764	31,778
Losses on fair value hedged items	(8,990)	6,856	(36,437)	82,263
Others (*)	27,544	103,098	24,299	137,494
Total	762,527	2,554,368	953,579	4,092,130

(*) Other expense includes such expenses amounting to 5,237 million Won and 98,023 million Won for the nine months ended September 30, 2017 and 2016, respectively, that the Group recognized for it is to carry out a payment to other creditor financial institutions in accordance with the creditor financial institutions committee agreement.

41. OTHER NON-OPERATING INCOME (EXPENSES)

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

	2017		2016	
	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30
Gain on valuation	76,247	79,563	2,989	11,261
Loss on valuation	(6,577)	(68,848)	(12,836)	(28,107)
Impairment loss	-	(5,323)	3,472	(1,173)
Total	69,670	5,392	(6,375)	(18,019)

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

	2017		2016	
	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30
Other non-operating incomes	19,894	97,079	26,915	88,884
Other non-operating expenses	(35,614)	(102,801)	(12,383)	(100,690)
Total	(15,720)	(5,722)	14,532	(11,806)

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

	2017		2016	
	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30
Rental fee income	2,025	5,725	1,460	5,193
Gains on disposal of investments in joint ventures and associates	308	33,194	51	1,250
Gains on disposal of premises and equipment, intangible assets and other assets	3,220	4,895	1,178	1,525
Reversal of impairment loss of premises and equipment, intangible assets and other assets	572	604	1,126	3,711
Others	13,769	52,661	23,100	77,205
Total	19,894	97,079	26,915	88,884

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

	2017		2016	
	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30
Depreciation on investment properties	995	2,986	979	2,839
Interest expense of rent leasehold deposits	111	334	121	375
Losses on disposal of investment in joint ventures and associates	10,971	38,701	-	15,060
Losses on disposal of premises and equipment, intangible assets and other assets	7,966	8,574	724	6,611
Impairment losses of premises and equipment, intangible assets and other assets	109	269	1,060	1,403
Donation	9,356	24,336	2,405	36,322
Others	6,106	27,601	7,094	38,080
Total	35,614	102,801	12,383	100,690

42. INCOME TAX EXPENSE

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

	For the nine months ended September 30	
	2017	2016
Current tax expense		
Current tax expense in respect of the current period	419,793	164,644
Adjustments recognized in the current period in relation to the current tax of prior periods	(5,122)	(22,132)
Sub-total	414,671	142,512
Deferred tax expense		
Deferred tax expense relating to the origination and reversal of temporary differences	(25,745)	65,965
Deferred tax charged directly to equity	20,219	33,740
Sub-total	(5,526)	99,705
Income tax expense	409,145	242,217

(2) Details of income tax expense can be reconciled to net income before income tax expense as follows (Unit: Korean Won in millions):

	For the nine months ended September 30	
	2017	2016
Net income before income tax expense	1,801,586	1,359,396
Tax calculated at statutory tax rate (*)	435,522	328,512
Adjustments		
Effect of income that is exempt from taxation	(45,268)	(59,093)
Effect of expense not deductible in determining taxable profit	20,409	10,761
Adjustments recognized in the current period in relation to the current tax of prior periods	(5,122)	(22,132)
Others	3,604	(15,831)
Sub-total	(26,377)	(86,295)
Income tax expense	409,145	242,217
Effective tax rate	22.7%	17.8%

(*) The corporate tax rate is 11 % up to 200 million Won in tax basis, 22 % over 200 million Won to 20 billion Won and 24.2 % over 20 billion Won.

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

	September 30, 2017	December 31, 2016
Loss on valuation of AFS securities	(101,677)	(113,161)
Share of other comprehensive income of joint ventures and associates	(670)	950
Foreign currency translation of foreign operations	31,156	16,930
Remeasurements gain related to defined benefit plan	47,393	51,661
Gain on valuation of cash flow hedge	398	-
Total	(23,400)	(43,620)

43. EARNINGS PER SHARE (“EPS”)

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

	2017		2016	
	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30
Net income attributable to common shareholders	280,146	1,378,507	355,649	1,105,915
Dividends on hybrid securities	(39,098)	(129,921)	(49,270)	(149,506)
Net income attributable to common shareholders	241,048	1,248,586	306,379	956,409
Weighted average number of common shares outstanding	673	673	673	673
Basic earnings per share (Unit: Korean Won)	358	1,855	455	1,421

Diluted EPS is equal to basic EPS because there is no dilution effect for the nine months ended September 30, 2017 and 2016.

44. CONTINGENT LIABILITIES AND COMMITMENTS

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

	September 30, 2017	December 31, 2016
Confirmed guarantees		
Guarantee for loans	89,711	79,566
Acceptances	361,426	504,354
Guarantees in acceptances of imported goods	115,576	97,606
Other confirmed guarantees	6,543,730	7,588,661
Total	7,110,443	8,270,187
Unconfirmed guarantees		
Local letter of credit	433,114	397,588
Letter of credit	3,743,451	3,844,345
Other unconfirmed guarantees	622,053	859,768
Total	4,798,618	5,101,701
Commercial paper purchase commitments and others	1,381,297	1,389,896

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

	September 30, 2017	December 31, 2016
Loan commitments	82,058,484	83,795,496
Other commitments	5,250,291	4,840,593

(3) Litigation case

The Group had filed lawsuits as follows (Unit: Korean Won in millions except for number of cases):

	September 30, 2017		December 31, 2016	
	As plaintiff	As defendant	As plaintiff	As defendant
Number of cases	70 cases	169 cases	88 cases	175 cases
Amount of litigation	425,211	322,496	308,848	246,465
Provisions for litigations		8,483		5,946

(4) Other

The Group operates Korean Won currency settlement service as for commercial trade settlements between Korea and Iran. In accordance with the submission request of information from U.S. prosecutors (U.S. Federal Prosecutors and Prosecutors of the New York State), the Group is currently performing its own internal investigation to confirm if the Group has met the requirements on sanction of U.S. Government in respect of its service operation. As of September 30, 2017, the Group believes that it cannot make reasonable estimation due to possible results from such investigation.

45. RELATED PARTY TRANSACTIONS

Related parties of the Group as of September 30, 2017 and its assets and liabilities recognized as of September 30, 2017 and December 31, 2016 and major transactions with related parties for the nine months ended September 30, 2017 and 2016 are as follows:

(1) Related parties

	Related parties
Associates	Kumho Tires Co., Inc., Woori Blackstone Korea Opportunity Private Equity Fund No.1, Woori Service Networks Co., Ltd., Korea Credit Bureau Co., Ltd., Korea Finance Security Co., Ltd., Chin Hung International Inc., Poonglim Industrial Co., Ltd., STX Engine Co., Ltd, STX Corporation, Woori Columbus 1st Private Equity Fund, 2016KIF-IMM Woori Bank Technology Venture Fund, K BANK Co., Ltd., Well to Sea No. 3 Private Equity Fund, and Others (Dongwoo C & C Co., Ltd. and other 20 associates)

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

	Related party	A title of account	September 30, 2017	December 31, 2016
Corporation that have significant influence over the Group	KDIC (*1)	Loans	-	9
		Other assets	-	270,041
		Deposits due to customers	-	1,894,631
		Other liabilities	-	15,568
Associates	Kumho Tires Co., Inc.	Loans	219,217	299,523
		Allowance for credit loss	(42,843)	(715)
		Deposits due to customers	8,162	45,957
		Other liabilities	4,641	50
	Woori Blackstone Korea Opportunity Private Equity Fund No.1	Other assets	8	34
		Other liabilities	306	306
	Woori Service Networks Co., Ltd.	Loans	27	29
		Deposits due to customers	2,481	2,572
		Other liabilities	364	393
	Korea Credit Bureau Co., Ltd.	Loans	7	2
		Deposits due to customers	5,025	5,069
		Other liabilities	50	40
	Korea Finance Security Co., Ltd.	Loans	69	55
		Deposits due to customers	3,239	2,801
		Other liabilities	5	6
	Chin Hung International Inc.	Loans	105	4,320
		Allowance for credit loss	(12)	(4,287)
		Deposits due to customers	75,529	14,047
		Other liabilities	1,695	279

Related party		A title of account	September 30, 2017	December 31, 2016
Associates	Poonglim Industrial Co., Ltd.	Deposits due to customers	4	283
	STX Engine Co., Ltd.	Loans	115,376	107,974
		Allowance for credit loss	(97,182)	(89,531)
		Deposits due to customers	13,948	13,260
		Other liabilities	27	588
	Samho International Co., Ltd.(*2)	Loans	-	37,327
		Allowance for credit loss	-	(717)
		Deposits due to customers	-	82,917
		Other liabilities	-	216
	STX Corporation	Loans	58,211	144,035
		Allowance for credit loss	(31,537)	(92,643)
		Deposits due to customers	13,754	14,412
		Other liabilities	62	90
	K BANK Co., Ltd.	Loans	265	-
		Other assets	-	325
	Well to Sea No.3 Private Equity Fund (*3)	Loans	83,040	-
		Allowance for credit loss	(85)	-
		Other liabilities	56	-
	Others (*4)	Loans	321	619
		Allowance for credit loss	(320)	(253)
		Other assets	2	8
		Deposits due to customers	3,695	4,460
		Other liabilities	73	60

(*1) As its ownership interest in the Group is lower than 20% as of September 30, 2017, it has been excluded from the corporation that have significant influence over the Group.

(*2) As the Group sold its entire ownership interest of the entity, it is excluded from the investment in associates during the nine months ended September 30, 2017.

(*3) Due to capital contribution by the Group during the nine months ended September 30, 2017, the entity was included in the investment in associates.

(*4) Others include Saman Corporation, Kyesan Engineering Co., Ltd., Hyunwoo International Co., Ltd., DAEA SNC Co., Ltd. and others as of September 30, 2017 and December 31, 2016.

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

Related party		A title of account	For the nine months ended September 30	
			2017	2016
Corporation that has significant influence over the group	KDIC(*1)	Interest income	-	9,450
		Interest expenses	15,331	14,123
Associates	Kumho Tires Co., Inc.	Interest income	2,155	1,941
		Fees income	6	6
		Interest expenses	1	53
		Impairment losses due to credit loss	42,128	147
	Woori Blackstone Korea Opportunity Private Equity Fund No.1	Fees income	36	155

		For the nine months ended September 30	
Related party	A title of account	2017	2016
Associates	Woori Service Networks Co., Ltd.	Other income	22
		Interest expenses	19
		Fees expenses	335
		Other expenses	307
	Korea Credit Bureau Co., Ltd.	Interest expenses	60
		Fees expenses	1,023
	Korea Finance Security Co., Ltd.	Interest expenses	8
		Fees expenses	-
	Chin Hung International Inc.	Interest income	364
		Fees income	1
		Interest expenses	18
		Reversal of impairment losses due to credit loss	(4,275)
	Poonglim Industrial Co., Ltd.	Interest expenses	-
		Reversal of impairment losses due to credit loss	-
	STX Engine Co., Ltd.	Interest income	1,011
		Fees income	28
		Interest expenses	109
		Impairment losses due to credit loss	7,651
	Samho International Co., Ltd. (*2)	Interest income	486
		Fees income	5
		Interest expenses	334
		Reversal of impairment losses due to credit loss	(717)
	Force TEC Co., Ltd. (*3)	Interest income	-
	STX Corporation	Interest income	219
		Fees income	60
		Interest expenses	2
		Impairment losses due to credit loss (reversal)	(61,106)
	Osung LST Co., Ltd. (*4)	Interest income	-
		Interest expenses	-
		Reversal of allowance for credit loss	-
	Woori Columbus 1st Private Equity Fund	Fees income	-
	K BANK Co., Ltd. (*5)	Fees income	594
		Other income	1,051
	Well to Sea No.3 Private Equity Fund (*6)	Impairment losses due to credit loss	85

		For the nine months ended September 30	
		2017	2016
Related party	A title of account		
Associates	Others (*7)		
	Interest expenses	10	12
	Impairment losses due to credit loss	67	277

- (*1) As its ownership interest in the Group is lower than 20% as of September 30, 2017, it has been exclude from the corporation that have significant influence over the Group.
- (*2) As the Group sold its entire ownership interest of the entity, it is excluded from the investment in associates during the nine months ended September 30, 2017.
- (*3) The entity is not in scope for the associates, because the Group does not have significant influence over the entity due to the fact that it is going through workout process under receivership as of September 30, 2017.
- (*4) As the Group sold its ownership interests in the entities during the year ended December 31, 2016, these entities were excluded from the investment in associates.
- (*5) Due to capital contribution during the year ended December 31, 2016, the entity has been included in the investment in associates.
- (*6) Due to capital contribution by the Group during the nine months ended September 30, 2017, the entity was included in the investment in associates.
- (*7) Others include Saman Corporation, Kyesan Engineering Co., Ltd., Hyunwoo International Co., Ltd., DAEA SNC Co., Ltd. and others as of September 30, 2017, and Saman Corporation, Kyesan Engineering Co., Ltd., Gachi Staff Co., Ltd., QTS Shipping Co., Ltd., and others were included as of December 31, 2016, respectively.

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

	September 30, 2017	December 31, 2016	
KDIC(*1)	-	1,500,000	Loan commitment
Kumho Tires Co., Inc.	19,778	24,187	Letter of credit and others
	191,163	126,435	Loan commitment
Korea Finance Security Co., Ltd.	191	205	Loan commitment
Korea Credit Bureau Co., Ltd.	28	33	Loan commitment
Woori Service Networks Co., Ltd.	173	171	Loan commitment
Chin Hung International Inc.	32,194	40,904	Loan commitment
STX Engine Co., Ltd.	65,082	63,103	Letter of credit and others
	413	685	Loan commitment
SamHo Co., Ltd.(*2)	-	30,083	Loan commitment
STX corporation	19,323	24,316	Letter of credit and others
	-	71	Loan commitment
K BANK Co., Ltd.(*3)	72	-	Loan commitment
Well to Sea No.3 Private Equity Fund			
(*4)	226,960	-	Loan commitment

- (*1) As its ownership interest in the Group is lower than 20% as of September 30, 2017, it has been exclude from the corporation that have significant influence over the Group.
- (*2) As the Group sold its entire ownership interest of the entities during the nine months ended September 30, 2017, they are excluded from the investment in associates.
- (*3) Due to capital contribution by the Group during the nine months ended September 30, 2017, the entity was included in the investment in associates.
- (*4) Due to capital contribution during the year ended December 31, 2016, the entity has been included in the investment in associates.

For the guarantee provided to the related parties, the Group recognized provisions for guarantees amounting to 69,862 million Won and 70,587 million Won, as of September 30, 2017 and December 31, 2016, respectively.

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

	For the nine months ended September 30	
	2017	2016
Short term benefits	9,340	6,878
Severance payments	372	423
Total	9,712	7,301

Key management includes registered executives and non-registered executives. Outstanding assets and liabilities from transactions with key management amount to 1,200 million Won and 5,756 million Won, respectively, as of September 30, 2017. With respect to the assets, the Group has not recognized any allowance, nor provision.

46. TRUST ACCOUNTS

- (1) Trust accounts of the Group are as follows (Unit: Korean Won in millions):

	Total assets		Operating income			
			2017		2016	
	September 30, 2017	December 31, 2016	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30
Trust accounts	44,093,154	38,807,666	268,593	684,909	166,663	592,852

- (2) Receivables and payables from the transactions between the Group and trust accounts are as follows (Unit: Korean Won in millions):

	September 30, 2017	December 31, 2016
Receivables		
Trust fees receivables	32,005	23,667
Payables		
Deposits due to customers	633,642	1,919,324
Borrowings from trust accounts	2,593,050	2,687,776
Sub-total	3,226,692	4,607,100

- (3) Significant transactions between the Group and trust accounts are as follows (Unit: Korean Won in millions):

	2017		2016	
	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30
Revenue				
Trust fees	40,130	105,337	23,558	56,835
Expense				
Interest expenses on deposits due to customers	3,103	15,503	11,869	36,408
Interest expenses on borrowings from trust accounts	7,652	23,338	9,553	34,873
Sub-total	10,755	38,841	21,422	71,281

(4) Principal guaranteed trusts and principal and fixed rate of return guaranteed trusts

- 1) As of September 30, 2017 and December 31, 2016, the carrying of principal guaranteed trusts and principal and fixed rate of return guaranteed trusts are as follows (Unit: Korean Won in millions):

	September 30, 2017	December 31, 2016
Principal guaranteed trusts		
Old-age pension trusts	4,221	4,513
Personal pension trusts	524,080	532,959
Pension trusts	775,390	741,759
Retirement trusts	50,690	53,773
New personal pension trusts	8,509	8,536
New old-age pension trusts	2,562	2,919
Sub-total	1,365,452	1,344,459
Principal and fixed rate of return guaranteed trusts		
Development trusts	19	19
Unspecified money trusts	791	787
Sub-total	810	806
Total	1,366,262	1,345,265

- 2) As of September 30, 2017 and December 31, 2016, the amounts that the Group has to pay by the capital guaranteed contract or the operating results of the principal and return guaranteed trusts are as follows (Unit: Korean Won in millions):

	September 30, 2017	December 31, 2016
Liabilities for the account		
(subsidy for trust account adjustment)	24	30

47. PROMOTING PRIVATIZATION PLAN

Pursuant to the privatization plan of Woori Finance Holdings Co., Ltd., which was decided at the Public Fund Oversight Committee (the “PFOC”) on June 26, 2013, the Group has disposed of its subsidiaries. Kwangju Bank and Kyongnam Bank were demerged as of May 1, 2014, and Woori Investment & Securities, Woori Aviva Life Insurance, Woori Savings Bank, Woori Asset Management, Woori Financial and Woori F&I were disposed of in due order during the period from March 2014 to June 2014.

With respect to the privatization of Woori Bank, the PFOC announced a plan on the merger between Woori Finance Holdings Co., Ltd (“Holding Company”) and Woori Bank and on the disposal of controlling and non-controlling interests (30% of ownership and 26.97% of ownership, respectively) of Woori Bank after newly listing its shares on the stock exchange. Pursuant to the plan, the Group merged with the Holding Company as of November 1, 2014, and was listed on Korea Stock Exchange on November 19, 2014.

On November 28, 2014, Korea Deposit Insurance Corporation (“KDIC”) commenced the bidding to dispose of controlling and non-controlling interests of the Group. With the successful bidding for non-controlling interests only, KDIC’s ownership of the Group decreased from 56.97% to 51.04%. Further, KDIC’s ownership of the Group was changed to 51.06% due to retirement of treasury stocks on October 2015.

On July 21, 2015, the PFOC, a deliberative body in charge of privatizing Woori Bank, held a meeting to discuss the means to promote the privatization plan. PFOC thereby announced a plan to maximize the retrieval of public fund that was initially invested and to sell the controlling shares to the investors (“oligopolistic shareholders”), in an effort to promote the early privatization and development of financial industry.

On October 2, 2015, Financial Services Commission (“FSC”) announced the amendment on normalization of business memorandum of understanding (“MOU”) in an effort to promote corporate value through enhanced managerial autonomy of the Group. FSC subsequently made amendments to the Enforcement Decree of the Special Act on the Management of Public Funds on March 29, 2016.

In addition, on August 22, 2016, PFOC announced a plan to sell about 30% shares out of 51.06% shares held by KDIC to multiple investors, ranging from 4 to 8% ownership each. Pursuant to the plan, the KDIC commenced the bidding to dispose of its shares by putting up a public notice of sale on August 24, 2016. As of September 23, 2016, KDIC received letters of intent from eighteen potential investors, with an intent to hold shares ranging from 82% to 119%. As a result of the bid, eight potential investors submitted bid letters for total of 33.7% shares. On November 13, PFOC announced that seven selected buyers acquired total of 29.7% shares of the Group. Upon successful privatization of the Bank, PFOC, in an effort to ensure autonomous management of the private sector (i.e., oligopolistic shareholders), released the Bank from the MOU on December 16, 2016. By the way, for the nine months ended September 30, 2017, as 2.85% of call options was exercised out of total 2.97% call options granted to the selected buyers when selling the non-controlling interest, KDIC's remaining ownership interest became 18.52%. In consideration with the benefits from privatization and the retrieval of public fund, the government will hold a discussion with PFOC on its plan to sell the remaining shares of the Bank held by KDIC in the near future.

48. TERMINATION OF CONTRACT AND FOLLOW-UP AGREEMENT ON THE IMPLEMENTATION OF A MANAGEMENT PLAN

Upon successful privatization, the MOU on management normalization between the Group and KDIC on December 16, 2016 was terminated. The same parties instead signed a written agreement on disposal of shares of the Group for the purpose of the appropriate public fund management. According to the agreement, KDIC has the right to appoint one personnel from KDIC as a non-executive member of the board of directors of the Group, as long as KDIC holds over 10% voting shares, or is the largest shareholder (disregarding National Pension Service) holding more than 4% but less than 10% shares. Also, KDIC may claim inspection of the information related to the minutes of the board of directors and agenda that may have significant impact on the residual shares, as long as KDIC holds over 4% shares of the Group.

OFFERING CIRCULAR

U.S.\$7,000,000,000



(incorporated with limited liability under the laws of the Republic of Korea)

Global Medium Term Note Programme

This Offering Circular replaces and supersedes the offering circular dated 13th May, 2016 describing the Programme (as defined below). Any Notes (as defined below) issued under this Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Notes issued prior to the date of this Offering Circular.

Under this U.S.\$7,000,000,000 Global Medium Term Note Programme (the “**Programme**”), Woori Bank (the “**Issuer**” or the “**Bank**”) may from time to time issue notes (the “**Notes**,” which expression shall include Senior Notes and Subordinated Notes (as defined herein)) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The Notes may be issued in bearer or registered form (respectively “**Bearer Notes**” and “**Registered Notes**”). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$7,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

In relation to any Tranche (as defined under “**Terms and Conditions of the Notes**”) of Notes, the Issuer may act through its principal office in Korea or through any of its branches including its London Branch, in each case as indicated in the applicable Pricing Supplement (as defined below).

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “**Summary of the Programme**” and any additional Dealer appointed under the Programme from time to time by the Issuer (each a “**Dealer**” and together, the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the “**relevant Dealer**” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the “**Singapore Stock Exchange**”) in connection with the Programme and application will be made for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed, at or prior to the time of issue thereof, to be so listed on the Singapore Stock Exchange. Such permission will be granted when such Notes have been admitted for listing and quotation on the Singapore Stock Exchange. The Singapore Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of any Notes on, the Singapore Stock Exchange are not to be taken as an indication of the merits of the Issuer, the Programme or the Notes. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein that are applicable to each Tranche (as defined under “**Terms and Conditions of the Notes**”) of Notes will be set out in a pricing supplement (the “**Pricing Supplement**”) which, with respect to Notes to be listed on the Singapore Stock Exchange, will be delivered to the Singapore Stock Exchange on or before the date of listing of the Notes of such Tranche.

The Programme provides that the Notes may be listed or admitted to trading on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

See “**Risk Factors**” for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Notes have not been registered under the Securities Act of 1933, as amended (the “**Securities Act**”), or any state securities laws and, unless so registered, may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes will be offered and sold (a) in the United States, only to “**qualified institutional buyers**” (as defined in Rule 144A under the Securities Act) or to “**accredited investors**” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions and (b) in “**offshore transactions**” to persons other than “**U.S. persons**” (each as defined in Regulation S under the Securities Act). See “Subscription and Sale and Transfer and Selling Restrictions.”

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the Singapore Stock Exchange) a supplementary Offering Circular, if appropriate, will be submitted to the Singapore Stock Exchange and made available which will describe the effect of the agreement reached in relation to such Notes.

Arranger

HSBC

Dealers

BNP PARIBAS

Citigroup

Crédit Agricole CIB

Deutsche Bank

J.P. Morgan

MUFG

Société Générale Corporate & Investment Banking

UBS

BofA Merrill Lynch

Commerzbank

Credit Suisse

HSBC

Morgan Stanley

Nomura

Standard Chartered Bank

The date of this Offering Circular is 28th April, 2017.

The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains or incorporates all information which is material in the context of the issuance and offering of the Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

This Offering Circular is to be read in conjunction with all documents that are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference” below). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Programme or for any statement made or purported to be made by the Dealers or on their behalf in connection with the Issuer or Programme. The Dealers accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its territories or to United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and the regulations promulgated thereunder.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of the Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers that would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of the Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States of America, the European Economic Area (the “EEA”), the United Kingdom, France, the Netherlands, Australia, Japan, the People’s Republic of China (the “PRC,” which, for purposes of this Offering Circular, excludes the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), the Macao Special Administrative Region of the PRC and Taiwan), Hong Kong, Singapore and Korea. See “Subscription and Sale and Transfer and Selling Restrictions.”

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission (the “SEC”) or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

From 1st January, 2018, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the EEA. For the purposes of this provision: (a) the expression “retail investor” means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive (as defined below); and (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Prior to 1st January, 2018, this Offering Circular has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Offering Circular as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent

authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of such offer. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

For the purposes of the foregoing, the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

This Offering Circular is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). The Notes will only be available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Offering Circular or any of its contents.

No prospectus (including any amendment, supplement or replacement thereto) has been prepared in connection with the offering of the Notes that has been approved by the Autorité des marchés financiers or by the competent authority of another State that is a contracting party to the Agreement on the European Economic Area and notified to the Autorité des marchés financiers; no Notes have been offered or sold nor will be offered or sold, directly or indirectly, to the public in France; the prospectus or any other offering material relating to the Notes has not been distributed or caused to be distributed and will not be distributed or caused to be distributed to the public in France; such offers, sales and distributions have been and shall only be made in France to persons licensed to provide the investment service of portfolio management for the account of third parties, qualified investors (investisseurs qualifiés) and/or a restricted circle of investors (cercle restreint d’investisseurs), in each case investing for their own account, all as defined in Articles L. 411-2, D. 411-1, D. 411-2, D. 411-4, D. 734-1, D.744-1, D. 754-1 and D. 764-1 of the Code monétaire et financier. The direct or indirect distribution to the public in France of any so acquired Notes may be made only as provided by Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the Code monétaire et financier and applicable regulations thereunder.

None of the Dealers or the Issuer makes any representation to any investor regarding the legality of its investment in the Notes under any applicable laws. Any investor should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

U.S. INFORMATION

This Offering Circular is being submitted on a confidential basis in the United States to a limited number of QIBs or Institutional Accredited Investors (each as defined under “Form of the Notes”) for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Registered Notes may be offered or sold within the United States only to QIBs or to Institutional Accredited Investors, in either case in transactions exempt from registration under the Securities Act. Each U.S. purchaser of the Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act (“Rule 144A”).

Purchasers of the Definitive IAI Registered Notes will be required to execute and deliver an IAI Investment Letter (each as defined under “Terms and Conditions of the Notes”). Each purchaser or holder of the Definitive IAI Registered Notes, the Notes represented by a Rule 144A Global Note (as defined below) or any Notes issued in registered form in exchange or substitution therefor (together “Legended Notes”) will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in “Subscription and Sale and Transfer and Selling Restrictions.” Unless otherwise stated, terms used in this paragraph have the meanings given to them in “Form of the Notes.”

KOREAN SELLING RESTRICTIONS

A registration statement for the offering and sale of the Notes has not been filed with the Financial Services Commission of Korea (the “FSC”). Accordingly, the Notes may not be offered or sold, directly or indirectly, in Korea or to any resident of Korea (as defined under the Foreign Exchange Transaction Law of Korea and the regulations thereunder) except as otherwise permitted by applicable Korean law and regulations (including the sale of the Notes to professional investors (as defined under the Financial Investment Services and Capital Markets Act of Korea and its enforcement decree) in the primary market if (a) the amount of the Notes acquired by professional investors in the primary market is limited to 20 per cent. or less of the aggregate issue amount of the Notes and (b) the Notes have been (i) listed in one of the major markets designated by the Financial Supervisory Service or (ii) registered with or reported to a financial supervisory authority located in one of such major markets or (iii) offered through such procedures as may be considered a public offering). In addition, to the extent required by the applicable laws and regulations of Korea, until the expiration of one year after the issuance of any Notes, such Notes may not be transferred to any resident of Korea except as otherwise permitted by applicable Korean law and regulations (including the sale of the Notes to professional investors in the secondary market if the Notes have been (a) listed in one of the major markets designated by the Financial Supervisory Service or (b) registered with or reported to a financial supervisory authority located in one of such major markets or (c) offered through such procedures as may be considered a public offering).

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, the Issuer has undertaken in a deed poll dated 25th August, 2006 (the “Deed Poll”) to furnish, upon the request of a holder of such Notes or any beneficial interest therein, free of charge at the specified offices of the Paying Agents, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a corporation organised under the laws of the Republic of Korea (“Korea”). All of the officers and directors named herein reside outside the United States and all or a substantial portion of the assets of the Issuer and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Korea upon the Issuer or such persons, or to enforce judgments against them obtained in courts outside Korea predicated upon civil liabilities of the Issuer or such directors and officers under laws other than Korean law, including

any judgment predicated upon United States federal securities laws. The Issuer has been advised by Kim & Chang, its counsel, that there is doubt as to the enforceability in Korea in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

FORWARD-LOOKING INFORMATION

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 Offering Circular contains forward-looking statements.

Words such as “aim,” “anticipate,” “assume,” “believe,” “contemplate,” “continue,” “estimate,” “expect,” “future,” “goal,” “intend,” “may,” “objective,” “plan,” “positioned,” “predict,” “project,” “risk,” “seek to,” “shall,” “should,” “will,” “will likely result,” “will pursue,” and words and terms of similar substance used in connection with any discussion of future operating or financial performance identify 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 the Bank's business discussed under “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:

- the Bank's ability to implement successfully its strategy;
- the Bank's growth and expansion;
- future levels of non-performing loans;
- the adequacy of provisions for credit and investment losses;
- technological changes;
- interest rates;
- availability of funding and liquidity;
- the Bank's 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 the Bank's income or results of operations could materially differ from those that have been estimated.

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

- general economic and political conditions in Korea or other countries which have an impact on the Bank's business activities or investments;
- the monetary and interest rate policies of Korea;
- inflation or deflation;

- 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 “Risk Factors.” The Bank cautions you not to place undue reliance on forward-looking statements, which speak only as of the date of this Offering Circular. Except as required by law, the Bank is not under any obligation, and expressly disclaims 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 the Bank or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The consolidated financial statements of the Issuer included in the 2016 Annual Report on Form 20-F (as defined below) incorporated by reference herein have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (the “IASB”). For information regarding certain factors that may affect the direct comparability of the historical financial information included in the 2016 Annual Report on Form 20-F as of and for different dates and periods, see “Presentation of Financial and Other Information” in the 2016 Annual Report on Form 20-F incorporated by reference herein.

All references in this Offering Circular to “Korea” refer to the Republic of Korea, those to “Government” refer to the government of Korea, those to “Woori Finance Holdings” refer to Woori Finance Holdings Co., Ltd., those to “U.S. dollars,” “U.S.\$” and “\$” refer to the currency of the United States of America, those to “Won” and “₩” refer to the currency of Korea, those to “S\$” refer to the currency of Singapore, those to “Sterling” and “£” refer to the currency of the United Kingdom, those to “€” and “euro” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, and those to “Renminbi,” “RMB” and “CNY” refer to the lawful currency of the PRC.

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

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In connection with the issue and distribution of any Tranche of Notes, the Dealer(s) (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Pricing Supplement may, subject to all applicable laws and regulations, over-allot the Notes or effect transactions with a view to supporting the market price of the Notes of a Series (as defined below) of which such Tranche forms a part at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there may be no obligation on the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) to undertake any stabilising action. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular incorporates by reference the Issuer's Annual Report on Form 20-F for the year ended 31st December, 2016, filed with the SEC on 27th April, 2017 (the "2016 Annual Report on Form 20-F"), which includes the Issuer's audited consolidated financial statements as of 31st December, 2015 and 2016 and for the years ended 31st December 2014, 2015 and 2016 and the notes thereto, and disclosure regarding risk factors, the Issuer's business, financial condition and results of operations, as well as other matters. The 2016 Annual Report on Form 20-F is publicly available over the Internet at the SEC's website at <http://www.sec.gov>. Prospective purchasers of Notes should carefully review the entire Offering Circular, including the 2016 Annual Report on Form 20-F incorporated by reference herein, before making an investment decision.

In addition, the following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the most recently published audited non-consolidated and consolidated annual financial statements and, if published later, the most recently published interim separate (i.e., non-consolidated) and consolidated financial statements (if any) of the Issuer from time to time (see "General Information" for a description of the financial statements currently published by the Issuer); and
- (b) all supplements or amendments to this Offering Circular circulated by the Issuer from time to time.

However, any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office set out at the end of this Offering Circular. In addition, such documents will be available from the principal office of Deutsche Bank AG, London Branch (the "Principal Paying Agent") for any Notes listed on the Singapore Stock Exchange.

The Issuer will, in connection with the listing of the Notes on the Singapore Stock Exchange, so long as the rules of the Singapore Stock Exchange so require, in the event of any material change which is not reflected in this Offering Circular, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of the Notes to be listed on the Singapore Stock Exchange.

If the terms of the Programme are modified or amended in a manner that would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new offering circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under “Form of the Notes” below.

This Offering Circular and any supplement will only be valid for the offering of Notes in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.\$7,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “Form of the Notes”) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;
- (b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “Form of the Notes”) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes, regardless of the subscription price paid); and
- (c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “Form of the Notes”) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” below shall have the same meanings in this summary.

Issuer	Woori Bank, acting through its principal office in Korea or through any of its branches including its London Branch, in each case as indicated in the applicable Pricing Supplement.
Description	Global Medium Term Note Programme.
Arranger	The Hongkong and Shanghai Banking Corporation Limited
Dealers	BNP Paribas, Citigroup Global Markets Inc., Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, Singapore Branch, The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. International plc, MUFG Securities EMEA plc, Nomura International plc, Société Générale, Standard Chartered Bank, UBS AG Hong Kong Branch and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “Subscription and Sale and Transfer and Selling Restrictions”) including the following restrictions applicable at the date of this Offering Circular.

Notes with a maturity of less than one year:

Notes having a maturity of less than one year from the date of issue will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See “Subscription and Sale and Transfer and Selling Restrictions.”

Principal Paying Agent . .	Deutsche Bank AG, London Branch
Registrar	Deutsche Bank Trust Company Americas
CMU Lodging Agent . . .	Deutsche Bank AG, Hong Kong Branch
Euro Registrar	Deutsche Bank Luxembourg S.A.

Programme Size.	Up to U.S.\$7,000,000,000 (or its equivalent in other currencies calculated as described under “General Description of the Programme”) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution.	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies.	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Redenomination.	The applicable Pricing Supplement may provide that certain Notes may be redenominated in euros. The relevant provisions applicable to any such redenomination are contained in Condition 5.
Maturities	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency, <i>provided that</i> , Subordinated Notes shall have a minimum maturity of five years.
Issue Price.	Notes may be issued on a fully paid or a partly paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes	The Notes will be issued in registered form or in bearer form as described in “Form of the Notes.” Registered Notes will not be exchangeable for Bearer Notes and <i>vice versa</i> .
Fixed Rate Notes	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes	Floating Rate Notes will bear interest at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of Notes of the relevant Series); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer, all as indicated in the applicable Pricing Supplement. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series (as defined under “Terms and Conditions of the Notes”) of Floating Rate Notes.

Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed upon prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed upon between the Issuer and the relevant Dealer.
Dual Currency Notes . . .	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree upon.
Zero Coupon Notes	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest other than in the case of late payment.
Redemption	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons (in the case of Subordinated Notes, only with the prior approval of the Financial Supervisory Service of Korea (the “FSS”) or of such other relevant regulatory authority in Korea, if necessary) or, in the case of Senior Notes, following an Event of Default or, in the case of Subordinated Notes, following a Bankruptcy Event or the liquidation of the Issuer) or that such Notes will be redeemable at the option of the Issuer (only with, in the case of Subordinated Notes, the prior approval of the FSS or of such other relevant regulatory in Korea, if necessary) and/or (except in the case of Subordinated Notes) the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. The applicable Pricing Supplement may provide that the Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.
Denomination of Notes . .	The Notes will be issued in such denominations as may be agreed upon between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. Unless otherwise stated in the applicable Pricing Supplement, the minimum denomination of each Definitive IAI Registered Note will be U.S.\$250,000 or its approximate equivalent in other Specified Currencies.

Taxation	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, subject as provided in Condition 10. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 10, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge	The terms of the Senior Notes will contain a negative pledge provision as further described in Condition 4.
Cross Default.	The terms of the Senior Notes will contain a cross default provision as further described in Condition 12.
Status of the Senior Notes	The Senior Notes and any related Receipts and Coupons will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves (save for certain obligations preferred by law) and equally with all other unsecured and unsubordinated obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Status of the Subordinated Notes. . .	The Subordinated Notes and any related Receipts and Coupons will constitute direct, unsecured and subordinated obligations of the Issuer. The rights of holders of Subordinated Notes will be subordinated in right of payment in the manner provided in Condition 3(c).
Write-off of the Subordinated Notes upon a Trigger Event	The Subordinated Notes will be subject to Write-off upon the occurrence of a Trigger Event, as provided in Condition 9. See “Risk Factors – Risks relating to the Notes – The Notes that are Subordinated Notes may be fully written off upon the occurrence of a trigger event, in which case holders of the Notes will lose all of their investment.”
Listing	Approval in-principle has been received from the Singapore Stock Exchange in connection with the Programme and application will be made for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed, at or prior to the time of issue thereof, to be so listed on the Singapore Stock Exchange. Such permission will be granted when such Notes have been admitted for listing and quotation on the Singapore Stock Exchange. For so long as any Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, such Notes will be traded on the Singapore Stock Exchange in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). The Notes may also be listed on such other or further stock exchange(s) as may be agreed upon between the Issuer and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed or admitted to trading and, if so, on which stock exchange(s).

Governing Law	The Notes will be governed by, and construed in accordance with, English law except for Conditions 3(b) and 3(c), which will be governed by, and construed in accordance with, Korean law.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States of America, the European Economic Area (the “EEA”), the United Kingdom, France, the Netherlands, Australia, Japan, the PRC, Hong Kong, Singapore and Korea and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See “Subscription and Sale and Transfer and Selling Restrictions.”
United States Selling Restrictions	Regulation S, Category 2, Rule 144A and Section 4(2), TEFRA C or D, as specified in the Pricing Supplement.

RISK FACTORS

Prospective purchasers of the Notes should carefully review the risks described below and in “Item 3D. Risk Factors” in the 2016 Annual Report on Form 20-F incorporated by reference herein, which could have a material adverse effect on the price of the Notes.

Risks relating to the Bank

Please see “Item 3D. Risk Factors – Risks relating to our corporate credit portfolio,” “– Risks relating to our consumer credit portfolio,” “– Risks relating to our structure and strategy,” “– Risks relating to competition,” “– Other risks relating to our business,” “– Risks relating to government control” and “– Risks relating to government regulation and policy” in the 2016 Annual Report on Form 20-F incorporated by reference herein.

Risks relating to Korea

Please see “Item 3D. Risk Factors – Risks relating to Korea” in the 2016 Annual Report on Form 20-F incorporated by reference herein.

Risks relating to the Notes

The Notes are unsecured obligations, the repayment of which may be jeopardised in certain circumstances.

Because the Notes are unsecured obligations, their repayment may be compromised if:

- the Bank enters into bankruptcy, liquidation, reorganisation or other winding-up procedures;
- there is a default in payment under the Bank’s future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Bank’s indebtedness.

If any of these events occurs, the Bank’s assets may not be sufficient to pay amounts due on any of the Notes.

The Notes are subject to transfer restrictions.

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to qualified institutional buyers in reliance on the exemption provided by Rule 144A, to certain persons in offshore transactions in reliance on Regulation S, or pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable state securities laws. In addition, interests in Bearer Notes are offered under the restrictions of TEFRA C or D, as specified in the applicable Pricing Supplement, and accordingly, investors will be required to provide non-U.S. beneficial ownership certifications in certain circumstances. Furthermore, a registration statement for the offering and sale of the Notes has not been filed with the FSC, and under currently applicable laws and regulations of Korea, until the expiration of one year after the issuance of any Notes, such Notes may not be transferred to any resident of Korea except as otherwise permitted by applicable Korean law and regulations. For a further discussion of the transfer restrictions applicable to the Notes, see “Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions” and “Form of the Notes – Bearer Notes.”

The Notes may have limited liquidity.

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. If an active trading market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued depending on many factors, including:

- prevailing interest rates;
- the Bank's results of operations and financial condition;
- political and economic developments in and affecting Korea;
- the market conditions for similar securities; and
- the financial condition and stability of the Korean financial sector.

The Notes may be redeemed by the Bank in certain circumstances.

The Notes may be redeemable at the option of the Bank, in whole but not in part, on any of the optional redemption dates specified in the applicable Pricing Supplement at their outstanding principal amount together (if applicable) with interest accrued to (but excluding) the date of redemption. Furthermore, the Notes may be redeemable at the option of the Bank, in whole but not in part, at their outstanding principal amount together (if applicable) with interest accrued to (but excluding) the date of redemption, upon the occurrence of certain changes in applicable tax laws and regulations which (i) require the Bank to pay additional amounts on payments of principal and interest in respect of the Notes due to withholding or deduction required by law or (ii) in the case of Notes that are Tier I Subordinated Notes, cause the Bank to no longer be entitled to claim a deduction in respect of interest paid on the Tier I Subordinated Notes for purposes of Korean corporation tax. In addition, the Notes that are Tier I Subordinated Notes may be redeemed by the Bank, in whole but not in part, at their outstanding principal amount together (if applicable) with interest accrued to (but excluding) the date of redemption, upon the occurrence of a regulatory event that would cause the Tier I Subordinated Notes to no longer qualify as additional Tier I capital of the Bank. Such redemptions at the option of the Bank are subject to necessary prior approval by the FSS or such other relevant regulatory authorities in Korea. See "Terms and Conditions of the Notes – Redemption and Purchase."

Accordingly, holders of the Notes should not rely on being able to hold the Notes until their maturity date. The date on which the Bank elects to redeem the Notes may not align with the preference of holders of the Notes, and such election by the Bank may be disadvantageous to holders of the Notes in light of market conditions or the individual circumstances of such holders. In addition, if the Notes are redeemed prior to their maturity date, there is no guarantee that the holders of the Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as the investment in the Notes.

Holders of Notes will have no creditor objection rights in connection with any future merger, spin-off or other similar transaction of the Bank.

Under the Korean Commercial Code, a Korean company that has resolved to merge with another entity or engage in a spin-off or other similar transaction is required to provide notice of the impending transaction to its creditors and, if any creditor raises an objection to the relevant transaction during the applicable creditor objection period, either repay the relevant debt owed to such creditor or provide adequate collateral to secure such debt. However, pursuant to Condition 3(d) of the Terms and Conditions of the Notes, holders of Notes will be deemed to have waived, and agreed not to exercise,

any such creditor objection rights that may arise in connection with such a transaction of the Bank. Accordingly, holders of Notes will have no creditor objection rights in connection with any such future transaction of the Bank.

The Notes that are Subordinated Notes are subordinated and have only limited rights of acceleration.

The relevant Pricing Supplement may specify that the Notes will be Subordinated Notes (as defined in Condition 3(c) of the Terms and Conditions of the Notes), which will be subordinated obligations of the Bank. Payments on the Subordinated Notes will be subordinate in right of payment upon the occurrence of a Subordination Event (as defined in Condition 3(c) of the Terms and Conditions of the Notes) to the prior payment in full of all deposits and other liabilities of the Bank, except those liabilities which rank equally with or junior to the Subordinated Notes. As a consequence of these subordination provisions, if any of such events should occur, the holders of the Subordinated Notes may recover proportionately less than the holders of the Bank's deposit liabilities or the holders of its other unsubordinated liabilities.

Only those events described herein regarding the Bank's bankruptcy or liquidation will permit a holder of a Subordinated Note to accelerate payment of such Subordinated Notes. In such event, the only action the holder may take in Korea against the Bank is to make a claim in the Bank's liquidation or other applicable proceeding. Furthermore, if the Bank's indebtedness were to be accelerated, its assets may be insufficient to repay in full borrowings under its debt instruments, including the Subordinated Notes.

In addition, subject to complying with applicable regulatory requirements in respect of the Bank's leverage and capital ratios, there is no restriction on the amount or type of other securities or indebtedness that the Bank may issue or incur, as the case may be, that rank senior to, or *pari passu* with, the Subordinated Notes. The issue of any such other securities or the incurrence of any such other indebtedness may reduce the amount, if any, recoverable by holders of the Subordinated Notes on a liquidation or winding-up of the Bank and may increase the likelihood of a non-payment or reduction of interest on the Subordinated Notes. The issue of any such other securities or the incurrence of any such other indebtedness might also have an adverse impact on the market price of the Subordinated Notes and the ability of holders to sell the Subordinated Notes.

The Notes that are Subordinated Notes may be fully written off upon the occurrence of a trigger event, in which case holders of the Subordinated Notes will lose all of their investment.

The Subordinated Notes will be subject to loss absorption provisions pursuant to which the Bank will irrevocably effect a full write-off of the outstanding principal amount and accrued but unpaid interest on the Subordinated Notes (without the need for the consent of the holders) upon the occurrence of a trigger event tied to the performance and viability of the Bank. A trigger event would occur upon the designation of the Bank as an "insolvent financial institution" pursuant to the Act on Structural Improvement of the Financial Industry.

Under Article 2 of the Act on Structural Improvement of the Financial Industry, an "insolvent financial institution" is defined as a financial institution that is:

- determined by the FSC or the Deposit Insurance Committee established within the KDIC (the "DIC"), based on an actual survey of such financial institution's business operations, as (i) having liabilities that exceed its assets (each as valued and calculated in accordance with standards established by the FSC), or (ii) facing apparent difficulty in its normal operations because its liabilities exceed its assets (each as valued and calculated in accordance with standards established by the FSC) as a result of the occurrence of a major financial scandal or the accrual of non-performing loans;
- subject to a suspension of payments of claims (including deposits) or repayments of money borrowed from other financial institutions; or

- determined by the FSC or the DIC to be unable to make payments of claims (including deposits) or repayments of money borrowed, without external support or additional borrowings (other than borrowings accruing from ordinary course financial transactions).

In the event that the Subordinated Notes are written off, such written-off amount will be irrevocably lost and will not be restored under any circumstances, including where the trigger event ceases to continue, and holders of the Subordinated Notes will cease to have any claims for any principal amount and accrued but unpaid interest on the Subordinated Notes. See “Terms and Conditions of the Notes – Loss Absorption upon a Trigger Event in Respect of Subordinated Notes.”

Potential investors should consider the risk that, due to the existence of such loss absorption features, a holder of Subordinated Notes may lose all of its investment in such Subordinated Notes in the event that a trigger event occurs.

The applicable Korean laws and regulations relating to the trigger event and loss absorption features of capital instruments like the Subordinated Notes are relatively new and have yet to be tested. There is considerable uncertainty as to the circumstances under which the relevant Korean regulatory authorities will decide to effect a trigger event with respect to a particular financial institution. The occurrence of a trigger event with respect to the Bank is therefore inherently unpredictable and is subject to factors that are outside the control of the Bank, which will make it difficult for investors to anticipate when, if at all, a write-off of the Subordinated Notes will take place. Accordingly, the trading behaviour with respect to the Subordinated Notes may not follow trading behaviour associated with other types of securities of the Bank or other issuers. Any indication that the Bank is trending towards a possible trigger event could have a material adverse effect on the market price of the Subordinated Notes. A potential investor should not invest in the Subordinated Notes unless it has knowledge and expertise to evaluate how the Subordinated Notes will perform under changing market conditions and the resulting effect on the likelihood of a write-off and on the market value of the Subordinated Notes.

Under Article 38 of the Depositor Protection Act, the KDIC (upon a resolution by the DIC) may provide financial assistance to an insured financial company (such as the Bank) or a financial holding company that becomes an “insolvent or similar financial company” (including an “insolvency-threatened financial company”), where the improvement of the financial structure of such company is deemed necessary for the protection of depositors and the preservation of order in credit transactions. An “insolvency-threatened financial company” is defined under Article 2 of the Depositor Protection Act as a financial company determined by the DIC as having a high possibility of becoming an insolvent financial company due to its weak financial standing. The financial assistance to be provided can take the form of a loan or deposit of funds, a purchase of assets, a guarantee or assumption of obligations and an equity injection or contribution.

The Government has in the past also taken measures to support the capital position of Korean banks in times of stress to the Korean financial system and economy. For example, in response to the global financial crisis commencing in 2008, the Government established a ₩20 trillion bank recapitalisation fund in 2009, based on a ₩10 trillion contribution from the Bank of Korea, a ₩2 trillion contribution from the Korea Development Bank and ₩8 trillion of contributions from institutional and retail investors. The bank recapitalisation fund provided capital support to the Korean banking sector by purchasing an aggregate of approximately ₩4 trillion of hybrid capital securities and subordinated notes issued by eight Korean financial institutions. Woori Finance Holdings and its subsidiaries issued ₩1.7 trillion of hybrid capital securities and subordinated notes to the bank recapitalisation fund, including ₩1.0 trillion of hybrid capital securities issued by the Bank.

In light of the size and scale of the Bank and its relative importance to the Korean banking system, it is possible that, prior to the occurrence of a trigger event that leads to a write-off of the Subordinated Notes, the Bank will be classified as an insolvency-threatened financial company and receive some form of financial assistance from the KDIC, or that the Government will decide to provide other forms of

financial assistance or capital support to the Bank. However, since the provision of any such financial assistance or capital support would be at the discretion of the KDIC or the Government, as applicable, there is no guarantee that the Bank will receive any financial assistance or capital support prior to the occurrence of a trigger event or that any such financial assistance or capital support received by the Bank will be sufficient to prevent the occurrence of a trigger event leading to a write-off of the Subordinated Notes.

The Notes that are Tier I Subordinated Notes have no fixed maturity date and holders of the Tier I Subordinated Notes have no right to call for redemption of the Tier I Subordinated Notes.

The Tier I Subordinated Notes are undated perpetual securities and accordingly have no fixed final maturity date. Subject to the subordination provisions of Condition 3(c) of the Terms and Conditions of the Notes, the principal amount of the Tier I Subordinated Notes will become due and payable by the Bank on the date on which voluntary or involuntary winding-up proceedings are instituted in respect of the Bank in accordance with, as the case may be, (i) a resolution passed at a shareholders' meeting of the Bank, (ii) any provision of the Bank's articles of incorporation or (iii) any applicable law or any decision of any judicial or administrative authority. In addition, the holders of Tier I Subordinated Notes have no right to call for the redemption of the Tier I Subordinated Notes. Although the Bank may redeem the Tier I Subordinated Notes at its option on any of the optional redemption dates specified in the applicable Pricing Supplement or at any time for certain tax or regulatory reasons, there are limitations on redemption of the Tier I Subordinated Notes, including a requirement to obtain the necessary prior approval of the FSS or such other relevant regulatory authorities in Korea. See "Terms and Conditions of the Notes – Redemption and Purchase." Accordingly, there is no guarantee as to whether or when the Tier I Subordinated Notes will be redeemed.

Interest payments on the Notes that are Tier I Subordinated Notes are discretionary and are not cumulative.

The rate of interest applicable to the Tier I Subordinated Notes may be subject to reset periodically, based on the prevailing base rate plus the spread as specified in the applicable Pricing Supplement. Furthermore, interest on Tier I Subordinated Notes may not be paid in full, or at all. The Bank may elect, in its sole discretion, to not pay any interest, or to pay only partial interest, on Tier I Subordinated Notes on any interest payment date for any reason. In addition, Tier I Subordinated Notes will not bear any interest, and any interest payable on Tier I Subordinated Notes on any interest payment date will not be paid, during an interest cancellation period, which will be triggered upon the issuance of a management improvement recommendation, a management improvement requirement or a management improvement order, or the imposition of emergency measures, by the FSC against the Bank.

Article 36 of the Regulation on Supervision of Banking Business provides that the FSC shall issue a management improvement order to a bank where:

- the bank constitutes an "insolvent financial institution" under the Act on Structural Improvement of the Financial Industry;
- its combined Tier I and Tier II capital adequacy ratio is no greater than 2.0 per cent. or its Tier I capital adequacy ratio is no greater than 1.5 per cent. or its Tier I common equity capital ratio is no greater than 1.2 per cent.; or
- the bank has difficulty continuing its normal operations, even though it has previously become subject to a management improvement requirement under Article 35(1), and has been urged (but has failed) to implement a management improvement plan under Article 39(6), of the Regulation on Supervision of Banking Business.

Prior to issuing a management improvement order to a bank, the FSC would be expected to (i) issue a management improvement recommendation to such bank (for example, if its combined Tier I and Tier II capital adequacy ratio is no greater than 8.0 per cent. or its Tier I capital adequacy ratio is no greater than 6.0 per cent. or its Tier I common equity capital ratio is no greater than 4.5 per cent.) under Article 34 of the Regulation on Supervision of Banking Business and (ii) subject such bank to a management improvement requirement (for example, if its combined Tier I and Tier II capital adequacy ratio is no greater than 6.0 per cent. or its Tier I capital adequacy ratio is no greater than 4.5 per cent. or its Tier I common equity capital ratio is no greater than 3.5 per cent.) under Article 35 of the Regulation on Supervision of Banking Business.

Article 38(1) of the Regulation on Supervision of Banking Business provides that the FSC or its chairman shall impose emergency measures on a bank where:

- a drastic deterioration in the liquidity of the bank causes it to experience, among others, shortages of reserves and assets for repayment of deposits or an inability to repay its external debts;
- it becomes impracticable or impossible for the bank to conduct normal business operations due to the occurrence of events such as, among others, a strike, work stoppage, labour dispute or a run on its deposits; or
- there is a manifest risk of bankruptcy or insolvency of the bank or the bank is unable to repay its deposits.

Such emergency measures may include (i) restrictions on acceptance of deposits and provision of loans by the bank; (ii) a suspension on repayment of all or any part of the bank's deposits; (iii) a prohibition on repayment of debts by the bank; and (iv) mandatory dispositions of the bank's assets under Article 38(2) of the Regulation on Supervision of Banking Business.

Furthermore, interest on any Series of Tier I Subordinated Notes will be paid only out of such amounts legally available to the Bank from time to time under applicable Korean law for payment of dividends on equity of the Bank (or, if higher, such amounts for payment of interest on such Tier I Subordinated Notes). Under the Korean Commercial Code, the Bank may pay an annual dividend only out of the excess of its net assets, on a non-consolidated basis, over the sum of (i) its stated capital (i.e., paid-in capital), (ii) the total amount of its capital surplus reserve and legal reserve accumulated up to the end of the relevant dividend period, (iii) the earned surplus reserve to be set aside for the annual dividend and (iv) any increase in net assets caused by the valuation of assets and liabilities performed in accordance with Korean accounting principles, against which no unrealised loss is set off. Depending on the ability of the Bank to meet certain capital ratios, such amounts legally available to the Bank under the Korean Commercial Code are subject to further restrictions pursuant to Article 26 of the Regulation on Supervision of Banking Business, which sets forth upper limits on the amounts a bank may use from its legally available amounts under the Korean Commercial Code to pay discretionary dividends, including discretionary interest payments on capital securities such as the Tier I Subordinated Notes. Specifically, the Bank would be able to use only a certain percentage (ranging from 0 per cent. to 60 per cent., depending on the degree of the shortfall in the applicable capital adequacy ratios) of its annual consolidated net income (attributable to the controlling shareholder) as stated in its latest audited financial report after deducting the regulatory reserve for credit loss (attributable to the controlling shareholder) if its Tier I common equity capital ratio, Tier I capital adequacy ratio or combined Tier I and Tier II capital adequacy ratio were to fall below 6.25 per cent., 7.75 per cent. or 9.75 per cent., respectively. Such minimum required thresholds applicable to the Tier I common equity capital ratio, Tier I capital adequacy ratio and combined Tier I and Tier II capital adequacy ratio of the Bank are scheduled to increase in stages to reach 8 per cent., 9.5 per cent. and 11.5 per cent., respectively, on 1st January, 2019. The foregoing thresholds have been calculated based on (i) an additional capital conservation buffer of 1.25 per cent. in 2017 (which is scheduled to increase in stages to reach 2.5 per cent. by 2019), (ii) a potential counter-cyclical capital buffer set at 0 per cent. (which may be subject to

change within the range of 0 to 2.5 per cent. based on the FSC's determination on a quarterly basis) and (iii) an additional capital requirement of 0.50 per cent. for being designated as one of five domestic systemically important banks in 2017 (which is scheduled to increase in stages to reach 1.0 per cent. by 2019). See "Item 3D. Risk Factors – We may be required to raise additional capital if our capital adequacy ratio deteriorates or the applicable capital requirements change in the future, but we may not be able to do so on favorable terms or at all" and "Item 4B. Business Overview – Supervision and Regulation – Principal Regulations Applicable to Banks – Capital Adequacy" in the 2016 Annual Report on Form 20-F incorporated by reference herein.

To the extent the aggregate amount of interest and other distributions payable on any Series of Tier I Subordinated Notes and other Tier I obligations exceed such amounts legally available to the Bank, the aggregate amount of interest payable on such Tier I Subordinated Notes would be reduced by an amount equal to the pro rata portion of such excess. Moreover, because the Bank is entitled to not pay interest on any interest payment date in its sole discretion, it may choose to do so even if amounts are legally available for payment of dividends or interest. See "Terms and Conditions of the Notes – Interest – Special Provisions Relating to Interest on Tier I Subordinated Notes."

Interest payments on the Tier I Subordinated Notes are not cumulative. Accordingly, if interest is not paid or is reduced on any interest payment date as a result of any of the foregoing, such unpaid interest will be irrevocably lost, and holders of Tier I Subordinated Notes will not be entitled to receive such unpaid interest on any subsequent interest payment date or any other date, whether or not funds are, or subsequently become, available. Any non-payment of interest by the Bank will not constitute an event of default under the Tier I Subordinated Notes. Due to these interest cancellation features, the trading behaviour with respect to the Tier I Subordinated Notes may not follow trading behaviour associated with other types of securities of the Bank or other issuers. A potential investor should not invest in Tier I Subordinated Notes unless it has knowledge and expertise to evaluate how the Tier I Subordinated Notes will perform under changing market conditions and the resulting effect on the likelihood of an interest cancellation and on the market value of the Tier I Subordinated Notes.

Non-payment of interest may adversely affect the trading price of the Notes that are Tier I Subordinated Notes.

If interest is not paid on the Tier I Subordinated Notes on any interest payment date, the Tier I Subordinated Notes may trade at a price which is lower than the issue price or the prevailing market price prior to such interest payment date. The sale of the Tier I Subordinated Notes during any period of non-payment of interest thereon may result in the holder receiving lower returns on the investment than a holder who continues to hold the Tier I Subordinated Notes until the interest payments resume (if at all). In addition, because of the interest cancellation provisions applicable to the Tier I Subordinated Notes, the market price of the Tier I Subordinated Notes may be more volatile than that of other securities that are not subject to such provisions.

Investors should consider the U.S. federal income tax treatment of an investment in the Subordinated Notes.

No statutory, judicial or administrative authority directly addresses the U.S. federal income tax characterisation of the Subordinated Notes or instruments with a similar write-off feature. As a result, significant aspects of the U.S. federal income tax consequences of an investment in such Notes are uncertain. The Bank believes, however, that notwithstanding their legal form as debt, the Tier I Subordinated Notes will be, and the Tier II Subordinated Notes should be, treated as equity for U.S. federal income tax purposes, and the Bank intends, absent a change in law, to so treat the Tier I Subordinated Notes. If the IRS were to treat the Subordinated Notes as debt for U.S. federal income tax purposes, this characterisation would be potentially adverse to United States holders. See "Taxation –

United States Taxation – Subordinated Notes.” Prospective investors are urged to consult their tax advisers concerning the U.S. federal income tax consequences of an investment in the Subordinated Notes.

Risks relating to Notes denominated in Renminbi

Renminbi is not freely convertible and this may adversely affect the liquidity of the Notes and the Bank’s ability to source Renminbi outside the PRC to service the Notes.

The Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies despite the significant reduction over the years by the PRC government of its control over routine foreign exchange transactions under current accounts. The People’s Bank of China (the “PBOC”) has established a Renminbi clearing and settlement system for participating banks in Hong Kong pursuant to a settlement agreement (the “Settlement Agreement”) relating to the clearing of Renminbi business between the PBOC and Bank of China (Hong Kong) Limited. However, the current size of Renminbi and Renminbi-denominated financial assets outside the PRC is limited, and their growth is subject to many constraints which are directly affected by PRC laws and regulations on foreign exchange, which may adversely affect the liquidity of the Notes. There is no assurance that new PRC laws and regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future in a way that will have the effect of restricting the availability of Renminbi offshore. To the extent the Bank is required to source Renminbi in the offshore market to service the Notes, there is no assurance that the Bank will be able to source such Renminbi on satisfactory terms, or at all.

Payments in respect of the Notes will only be made in accordance with prevailing rules and regulations in the manner specified in the Notes.

Except in limited circumstances, all payments of Renminbi under the Notes will be made solely by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations for such payments and in accordance with the terms and conditions of the Notes. The Bank cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

If “RMB Currency Event” is specified in the applicable Pricing Supplement and it becomes impossible to convert Renminbi from/to another freely convertible currency, or transfer Renminbi between accounts in Hong Kong, or the general Renminbi exchange market in Hong Kong becomes illiquid, or any Renminbi clearing and settlement system for participating banks in Hong Kong is disrupted or suspended, the Bank may make any payment of Renminbi under the Notes in another currency selected by the Bank using an exchange rate determined by the Alternate Settlement Rate Determination Agent or an exchange rate specified in the applicable Pricing Supplement.

The Renminbi is subject to exchange rate risk.

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. The Bank will make all Renminbi payments under the Notes in Renminbi unless otherwise specified. As a result, the value of such payments in Renminbi (in U.S. dollars or other applicable foreign currency terms) may vary with the prevailing exchange rates in the marketplace. If the value of the Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of a Noteholder’s investment in U.S. dollar or other applicable foreign currency terms will decline.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act (“Regulation S”) and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or Regulation D under the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will be initially issued in the form of either a temporary bearer global note (a “Temporary Bearer Global Note”) or a permanent bearer global note (a “Permanent Bearer Global Note” and together with a Temporary Bearer Global Note, a “Bearer Global Note”) as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to either (i) a common depositary (the “Common Depositary”) for Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”) and/or Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) or (ii) a sub-custodian for the Hong Kong Monetary Authority (the “HKMA”) as operator of the Central Moneymarkets Unit Service (the “CMU Service”). Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or the CMU Service, and Euroclear and/or Clearstream, Luxembourg and/or the CMU Lodging Agent (as defined under “Terms and Conditions of the Notes”), as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent (“non-U.S. beneficial ownership certification”).

On and after the date (the “Exchange Date”) which is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against non-U.S. beneficial ownership certification as described above unless such certification has already been given. The CMU Service may require that any such exchange for a Permanent Bearer Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report (as defined in the rules of the CMU Service (the “CMU Rules”)) or any other relevant notification supplied to the CMU Lodging Agent by the CMU Service) have provided certification of beneficial ownership as described above. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any further requirement for certification beyond the initial non-U.S. beneficial ownership certification as described above. In respect of a Bearer Global Note held through the CMU Service, any payments of principal, interest (if any) or any other amounts will be made to the person(s) for whose account(s) interests in the relevant Bearer Global Note are

credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging Agent by the CMU Service) and save in the case of a final payment, no presentation of the relevant Bearer Global Note will be required for such purpose.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice from (in the case of Notes held by a Common Depositary for Euroclear and/or Clearstream, Luxembourg) Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein and/or (in the case of Notes held through the CMU Service) the relevant accountholders therein to the CMU Lodging Agent as described therein, or (ii) only upon the occurrence of an Exchange Event. For these purposes, an "Exchange Event" means that (i) an Event of Default (as defined in Condition 12) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been or, in the case of Notes held through the CMU Service, the CMU Service has been, closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have or has announced an intention permanently to cease business or have or has in fact done so and no alternative clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form (provided that, in certain circumstances where the Notes are held through Euroclear and/or Clearstream, Luxembourg and/or the CMU Service, such adverse tax consequences are the result of a change in, or amendment to, the laws and regulations (taxation or otherwise) of a Tax Jurisdiction). For so long as the Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in the event that a Permanent Bearer Global Note is exchanged for definitive Bearer Notes, the Issuer will appoint and maintain a paying agent in Singapore (the "Singapore Paying Agent") (unless the Issuer obtains an exemption from the Singapore Stock Exchange), where the definitive Bearer Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Permanent Bearer Global Note is exchanged for definitive Bearer Notes, an announcement of such exchange shall be made by the Issuer or on the Issuer's behalf through the Singapore Stock Exchange and such announcement will include all material information with respect to the delivery of the definitive Bearer Notes, including details of the Singapore Paying Agent. In the event of the occurrence of an Exchange Event, (x) in the case of Notes held by a Common Depositary for Euroclear and/or Clearstream, Luxembourg, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note), and (y) in the case of Notes held through the CMU Service, the relevant accountholders therein, may give notice to the Principal Paying Agent or, as the case may be, the CMU Lodging Agent, requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent or the CMU Lodging Agent, as the case may be, requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent or the CMU Lodging Agent, as the case may be.

The following legend will appear on all Bearer Notes that have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes.

Notes that are represented by a Bearer Global Note will only be transferable, and payment in respect of them will only be made, in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg, or the CMU Service, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a “Regulation S Global Note”). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions (i) to “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act (“QIBs”) or (ii) to “accredited investors” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions (“Institutional Accredited Investors”) who agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a “Rule 144A Global Note” and, together with a Regulation S Global Note, the “Registered Global Notes”).

The Registered Global Notes will be deposited with (i) a custodian for, and registered in the name of a nominee of, DTC for the accounts of its participants, including Euroclear and Clearstream, Luxembourg, (ii) a Common Depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, or (iii) a sub-custodian for the HKMA as operator of the CMU Service, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof (“Definitive IAI Registered Notes”). Unless otherwise set forth in the applicable Pricing Supplement, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.\$250,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under “Subscription and Sale and Transfer and Selling Restrictions.” Institutional Accredited Investors that hold Definitive IAI Registered Notes may elect to hold such Notes through DTC, but transferees acquiring the Notes in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144 under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under “Subscription and Sale and Transfer and Selling Restrictions.” The Rule 144A Global Note and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7(d)) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7(d)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, an “Exchange Event” means that (a) an Event of Default has occurred and is continuing, (b) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act, (c) in the case of Notes registered in the name of a nominee for a Common Depositary for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available, (d) in the case of Notes held through the CMU Service, the Issuer has been notified that the CMU Service has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and, in any such case, no successor clearing system is available or (e) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form (provided that, in certain circumstances where the Notes are held through DTC and/or Euroclear and/or Clearstream, Luxembourg and/or the CMU Service, such adverse tax consequences are the result of a change in, or amendment to, the laws and regulations (taxation or otherwise) of a Tax Jurisdiction).

For so long as any Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in the event that a Permanent Registered Global Note is exchanged for definitive Registered Notes, the Issuer will appoint and maintain the Singapore Paying Agent (unless the Issuer obtains an exemption from the Singapore Stock Exchange), where the definitive Registered Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Permanent Registered Global Note is exchanged for definitive Registered Notes, an announcement of such exchange shall be made by the Issuer or on the Issuer’s behalf through the Singapore Stock Exchange and such announcement will include all material information with respect to the delivery of the definitive Registered Notes, including details of the Singapore Paying Agent. In the event of the occurrence of an Exchange Event, (1) in the case of Notes registered in the name of a nominee for DTC, DTC, (2) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) and (3) in the case of Notes held through the CMU Service, the relevant accountholders therein, may give notice to the Registrar or the CMU Lodging Agent, as the case may be, requesting exchange and, in the event of the occurrence of an Exchange Event as described in (e) above, the Issuer may also give notice to the Registrar or the CMU Lodging Agent, as the case may be, requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar or the CMU Lodging Agent, as the case may be.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of

DTC, Euroclear, Clearstream, Luxembourg and the CMU Service, in each case to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see “Subscription and Sale and Transfer and Selling Restrictions.”

General

Pursuant to the Agency Agreement (as defined under “Terms and Conditions of the Notes”), the Principal Paying Agent or, as the case may be, the CMU Lodging Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CMU instrument number, a CUSIP and CINS number which are different from the common code, ISIN, CMU instrument number, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear, Clearstream, Luxembourg and/or the CMU Service, each person (other than Euroclear, Clearstream, Luxembourg or the CMU Service) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg or the CMU Service as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU Service, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note.

So long as DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and such Notes except to the extent that in accordance with DTC’s published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Any reference herein to Euroclear, Clearstream, Luxembourg, DTC and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

The Notes may be accelerated by the holder thereof in certain circumstances described in Condition 12. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then, holders of interests in such Global Note credited to their accounts with Euroclear, Clearstream, Luxembourg and/or DTC and/or the CMU Service, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by

Euroclear, Clearstream, Luxembourg, DTC and/or the CMU Service on and subject to the terms of a deed of covenant dated 11th May, 2015 (the “Deed of Covenant”), executed by the Issuer. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver Definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC’s standard operating procedures.

Form of Pricing Supplement

Set out below is the form of Pricing Supplement that will be completed for each Tranche of Notes issued under the Programme.

[Date]

Woori Bank

(acting through its **[principal office in Korea/[•] Branch]**)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the U.S.\$7,000,000,000

Global Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 28th April, 2017 **[and the supplemental Offering Circular dated [•]]**. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular **[as so supplemented]**.

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA, AND, ACCORDINGLY, THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY KOREAN RESIDENT EXCEPT AS OTHERWISE PERMITTED BY APPLICABLE KOREAN LAWS AND REGULATIONS (INCLUDING THE SALE OF THE NOTES TO PROFESSIONAL INVESTORS IN THE PRIMARY MARKET IF (A) THE AMOUNT ACQUIRED BY PROFESSIONAL INVESTORS IN THE PRIMARY MARKET IS LIMITED TO 20 PER CENT. OR LESS OF THE AGGREGATE ISSUE AMOUNT AND (B) THE NOTES HAVE BEEN (I) LISTED IN ONE OF THE MAJOR MARKETS DESIGNATED BY THE FINANCIAL SUPERVISORY SERVICE OR (II) REGISTERED WITH OR REPORTED TO A FINANCIAL SUPERVISORY AUTHORITY LOCATED IN ONE OF SUCH MAJOR MARKETS OR (III) OFFERED THROUGH SUCH PROCEDURES AS MAY BE CONSIDERED A PUBLIC OFFERING). IN ADDITION, TO THE EXTENT REQUIRED BY THE APPLICABLE LAWS AND REGULATIONS OF KOREA, UNTIL THE EXPIRATION OF ONE YEAR AFTER THE ISSUANCE OF ANY NOTES, SUCH NOTES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA EXCEPT AS OTHERWISE PERMITTED BY APPLICABLE KOREAN LAW AND REGULATIONS (INCLUDING THE SALE OF THE NOTES TO THE PROFESSIONAL INVESTORS IN THE SECONDARY MARKET IF THE NOTES HAVE BEEN (A) LISTED IN ONE OF THE MAJOR MARKETS DESIGNATED BY THE FINANCIAL SUPERVISORY SERVICE OR (B) REGISTERED WITH OR REPORTED TO A FINANCIAL SUPERVISORY AUTHORITY LOCATED IN ONE OF SUCH MAJOR MARKETS OR (C) OFFERED THROUGH SUCH PROCEDURES AS MAY BE CONSIDERED A PUBLIC OFFERING). AS USED HEREIN, THE TERM “KOREAN RESIDENT” HAS THE MEANING GIVEN TO IT BY THE FOREIGN EXCHANGE TRANSACTION LAW OF KOREA AND THE REGULATIONS THEREUNDER AND THE TERM “PROFESSIONAL INVESTORS” HAS THE MEANING GIVEN TO IT BY THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA AND ITS ENFORCEMENT DECREE.

[The following alternative language applies if the first tranche of an issue that is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplements]

1. Issuer: Woori Bank (acting through its [principal office in Korea/[•] Branch])
2. (i) Series Number: [•]
(ii) Tranche Number: [•] *(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3. Specified Currency or Currencies: [•]*
4. Aggregate Nominal Amount:
(i) [Series: [•]]
(ii) [Tranche: [•]]
5. (i) [Issue Price of Tranche: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [Issue Date] *(in the case of fungible issues only, if applicable)*]
(ii) [Net proceeds: (required only for listed issues) [•]]

* In respect of Notes denominated in Renminbi, purchasers of the Notes should note that Renminbi is not freely convertible at present. All payments in respect of such Notes shall be made solely by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong in accordance with applicable laws and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or by transfer to a bank account in the PRC).

6. Specified Denominations: *(in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)* [•]
- (N.B. Following the entry into force of the amendments made by Directive 2010/73/EU to the Prospectus Directive (Directive 2003/71/EC) (the “2010 PD Amending Directive”) on 31st December, 2010, Notes to be admitted to trading on a regulated market within the European Economic Area with a maturity date which will fall after the implementation date of the 2010 PD Amending Directive in the relevant European Economic Area Member State (which is due to be no later than 1st July, 2012) must have a minimum denomination of euro 100,000 (or equivalent) in order to benefit from Transparency Directive exemptions in respect of wholesale securities. Similarly, Notes issued after the implementation of the 2010 PD Amending Directive in a Member State must have a minimum denomination of euro 100,000 (or equivalent) in order to benefit from the wholesale exemption set out in Article 3.2(d) of the Prospectus Directive in that Member State.)*
- (Note – where Bearer Notes with multiple denominations above U.S.\$200,000 or equivalent are being used the following sample wording should be followed:*
- “U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof up to and including U.S.\$399,000. No Notes in definitive form will be issued with a denomination above U.S.\$399,000.”*
- (N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the euro 100,000 minimum denomination is not required.)*
7. (i) Issue Date: [•]
- (ii) Interest Commencement Date: [•]
8. Maturity Date: **[Fixed rate – specify date]**
- Floating rate – Interest Payment Date falling in **[specify months and year]** **[(NB: Subordinated Notes shall have a minimum maturity of five years.)]**
9. Interest Basis: **[[•] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/- [•] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [specify other]**
(further particulars specified below)

10. Redemption/Payment Basis: **[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [specify other]**
11. Change of Interest Basis or Redemption/Payment Basis: **[Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]**
12. Put/Call Options: **[Investor Put] [Issuer Call] [(further particulars specified below)]**
- [NB: Investor Put not possible for Subordinated Notes; Issuer Call for Subordinated Notes will be subject to satisfaction of regulatory conditions.]*
13. (i) Status of the Notes: **[Senior/Tier I Subordinated/Tier II Subordinated]**
- (ii) Date Board approval for issuance of Notes obtained: **[•] (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)**
14. Listing: **[Singapore Exchange Securities Trading Limited/specify other/None]**
15. Method of distribution: **[Syndicated/Non-syndicated]**

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Fixed Rate Note Provisions: **[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)**
- (i) Rate[(s)] of Interest: **[•] per cent. per annum [payable [annually/semi-annually/quarterly] in arrears] (If payable other than annually, consider amending Condition 6)**
- (ii) Interest Payment Date(s): **[[•] in each year up to and including the Maturity Date]/[specify other] [N.B.: This will need to be amended in the case of long or instalment coupons]**
- (iii) Fixed Coupon Amount(s): **[•] per [•] in nominal amount**
- (iv) Broken Amount(s): **[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount]**
- (v) Day Count Fraction: **[30/360 or Actual/Actual (ICMA) or Actual/365 (Fixed)* or [specify other]]**
- (vi) Determination Date(s): **[•] in each year**

* Applicable to Hong Kong dollar denominated Fixed Rate Notes and Renminbi denominated Fixed Rate Notes.

- [Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration. NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA)]*
[None/Give details]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:
17. Floating Rate Note Provisions: **[Applicable/Not Applicable]** *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Specified Period(s)/Specified Interest Payment Dates: **[•]**
- (ii) Business Day Convention: **[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]**
- (iii) Additional Business Centre(s): **[•]**
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: **[Screen Rate Determination/ISDA Determination/specify other]**
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): **[•]**
- (vi) Screen Rate Determination:
- Reference Rate: **[•]** *(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*
 - Interest Determination Date(s): **[•]** *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET 2 system is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
 - Relevant Screen Page: **[•]** *(In the case of EURIBOR, if not Telerate Page 248 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (vii) ISDA Determination:

- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
 - (viii) Margin(s): [•] per cent. per annum
 - (ix) Minimum Rate of Interest: [•] per cent. per annum
 - (x) Maximum Rate of Interest: [•] per cent. per annum
 - (xi) Day Count Fraction: **[Actual/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 Other]** *(See Condition 6 for alternatives)*
 - (xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [•]
18. Zero Coupon Note Provisions: **[Applicable/Not Applicable]** *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Accrual Yield: [•] per cent. per annum
 - (ii) Reference Price: [•]
 - (iii) Any other formula/basis of determining amount payable: [•] *(Consider applicable day count fraction if euro denominated)*
 - (iv) Day Count Fraction in relation to Early Redemption Amount and Late Payment on Zero Coupon Notes: **[Condition 8(e)(iii) and Condition 8(j) apply/specify other]** *(Consider applicable day count fraction if not U.S. dollar denominated)*
19. Index Linked Interest Note Provisions: **[Applicable/Not Applicable]** *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula: **[give or annex details]**
 - (ii) Calculation Agent responsible for calculating the interest due: [•]
 - (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [•]

- (iv) Specified Period(s)/Specified Interest Payment Dates: [•]
- (v) Business Day Convention: **[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]**
- (vi) Additional Business Centre(s): [•]
- (vii) Minimum Rate of Interest: [•] per cent. per annum
- (viii) Maximum Rate of Interest: [•] per cent. per annum
- (ix) Day Count Fraction: [•]
- 20. Dual Currency Note Provisions: **[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)**
 - (i) Rate of Exchange/method of calculating Rate of Exchange: **[give details]**
 - (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest payable: [•]
 - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [•]
 - (iv) Person at whose option Specified Currency(ies) is/are payable: [•]

PROVISIONS RELATING TO REDEMPTION

- 21. Issuer Call: **[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)**
 - (i) Optional Redemption Date(s): **[•] (N.B. Subordinated Notes may not be redeemed within five years of their issuance date)**
 - (ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [•] per Note of [•] Specified Denomination
 - (iii) If redeemable in part:

- (a) Minimum Redemption Amount: [•]
- (b) Higher Redemption Amount: [•]
- (iv) Notice period (if other than as set out in the Conditions): [•] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent)*
22. Investor Put: **[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)**
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [•] per Note of [•] Specified Denomination
- (iii) Notice period (if other than as set out in the Conditions): [•] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent)*
23. Final Redemption Amount of each Note: [•] per Note of [•] Specified Denomination/specify other/see Appendix
24. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 8(e)): [•]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: **[Bearer Notes:**
- [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]**
- [Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]**

[Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/ only upon an Exchange Event]]

(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect:

“US\$200,000 and integral multiples of US\$1,000 in excess thereof up to and including US\$399,000.”

Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)

[Registered Notes:

Regulation S Global Note (U.S.\$[•] nominal amount) [registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]]/[held through the CMU Service]/Rule 144A Global Note (U.S.\$[•] nominal amount) [registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]]/[held through the CMU Service]/ Definitive IAI Registered Notes (specify nominal amounts)]

- | | | |
|-----|--|---|
| 26. | Additional Financial Centre(s) or other special provisions relating to Payment Dates: | <i>[Not Applicable/give details] (Note that this item relates to the place of payment and not Interest Period end dates to which items 17(iii) and 19(vi) relate)</i> |
| 27. | Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): | <i>[Yes/No. If yes, give details]</i> |
| 28. | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | <i>[Not Applicable/give details. NB: new forms of Global Note(s) may be required for Partly Paid issues.]</i> |
| 29. | Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: | <i>[Not Applicable/give details]</i> |

30. Redenomination applicable: Redenomination **[not]** applicable. *[(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))] [(if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Pricing Supplement)]*
31. RMB Currency Event: **[Not Applicable/give details]** *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Alternate Settlement Rate (if different from that set out in Condition 7(i)): **[Not Applicable/give details]**
- (ii) Party responsible for calculating the Alternate Settlement Rate: **[Give name (the “Alternate Settlement Rate Determination Agent”)]**
- (iii) Relevant Currency (if different from that set out in Condition 7(i)): **[Not Applicable/give details]**
32. Other terms or special conditions: **[Not Applicable/give details]**

DISTRIBUTION

33. (i) If syndicated, names of Managers: **[Not Applicable/give names]**
- (ii) Stabilising Manager (if any): **[Not Applicable/give name]**
34. If non-syndicated, name of relevant Dealer: **[•]**
35. United States selling restrictions: **[Rule 144A/Regulation S Category 2]**
[TEFRA D/TEFRA C/TEFRA not applicable]
36. Additional selling restrictions: **[Not Applicable/give details]**

OPERATIONAL INFORMATION

37. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): **[Not Applicable/CMU Service/give name(s) and number(s)]**
38. Delivery: Delivery **[against/free of]** payment

39. In the case of Registered Notes, [Not Applicable/give location]
specify the location of the office of
the Registrar if other than New
York:

40. Additional Paying Agent(s) (if [•]
any):

ISIN: [•]

Common Code: [•]

*(insert here any other relevant
codes such as CMU Instrument
Number, CUSIP and CINS codes)*

[LISTING APPLICATION]

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$7,000,000,000 Global Medium Term Note Programme of Woori Bank. The Singapore Exchange Securities Trading Limited (the “Singapore Stock Exchange”) assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Pricing Supplement. Approval in-principle from, admission to the Official List of, and the listing and quotation of any Notes on, the Singapore Stock Exchange are not to be taken as an indication of the merits of the Issuer, the Programme or the Notes.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement, which, when read together with the Offering Circular **[and the supplemental Offering Circular]** referred to above, contains all information that is material in the context of the issue of the Notes.

Signed on behalf of the Issuer:

By:

Duly authorised

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6, 7, 8 (except Condition 8(b)), 13, 14, 15, 16 (insofar as such Notes are not listed or admitted to trading on any stock exchange) or 18, they will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Form of the Notes” for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Woori Bank (the “Issuer”) pursuant to the Agency Agreement (as defined below). The applicable Pricing Supplement (as defined below) will indicate whether the Issuer is acting through its principal office in the Republic of Korea (“Korea”) or any of its branches.

References herein to the “Notes” shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a “Global Note”), units of the lowest Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any definitive Notes in bearer form (“Bearer Notes”) issued in exchange for a Global Note in bearer form; and
- (d) any definitive Notes in registered form (“Registered Notes”) (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of the amended and restated agency agreement dated 25th August, 2006 as supplemented by the supplemental agency agreement dated 14th May, 2013, the second supplemental agency agreement dated 9th April, 2014, the third supplemental agency agreement dated 11th May, 2015, the fourth supplemental agency agreement dated 13th May, 2016, the fifth supplemental agency agreement dated 28th April, 2017 and as further amended and/or supplemented from time to time (the “Agency Agreement”) and made between the Issuer, Deutsche Bank AG, London Branch as principal paying agent (the “Principal Paying Agent,” which expression shall include any successor agent), Deutsche Bank AG, Hong Kong Branch as CMU lodging agent (the “CMU Lodging Agent,” which expression shall include any successor CMU lodging agent) and the other paying agents named therein (together with the Principal Paying Agent and the Euro Registrar, the “Paying Agents,” which expression shall include any additional or successor paying agents), Deutsche Bank Trust Company Americas as registrar (the “Registrar,” which expression shall include any successor registrar), exchange agent (the “Exchange Agent,” which expression shall include any additional or successor exchange agent) and transfer agent and the other transfer agents named therein (together with the Registrar, the “Transfer Agents” which expression shall include any additional or successor transfer agents), and Deutsche Bank Luxembourg S.A. as registrar and paying agent (the “Euro Registrar”). For the purposes of these Terms and Conditions, all references to the Principal Paying Agent shall, with respect to a Series of Notes to be held in the CMU Service (as defined below), be deemed to be a reference to the CMU Lodging Agent and all such references shall be construed accordingly.

Interest bearing definitive Bearer Notes (unless otherwise indicated in the applicable Pricing Supplement) have interest coupons (“Coupons”) and, if indicated in the applicable Pricing Supplement, talons for further Coupons (“Talons”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (“Receipts”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the “applicable Pricing Supplement” are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to “Noteholders” or “holders” in relation to any Notes shall mean (in the Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to “Receiptholders” shall mean the holders of the Receipts and any reference herein to “Couponholders” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, “Tranche” means Notes which are identical in all respects (including as to listing), and “Series” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

As used herein, the following expressions shall have the following meanings:

“CMU” means the Central Moneymarkets Unit;

“CMU Instrument Position Report” shall have the meaning specified in the CMU Rules;

“CMU Member” means a member of the CMU;

“CMU Operator” means the Hong Kong Monetary Authority, as operator of the CMU Service;

“CMU Reference Manual” means the reference manual relating to the operation of the CMU Service issued by the Hong Kong Monetary Authority to CMU Members, as amended from time to time;

“CMU Rules” means all requirements of the CMU Service for the time being applicable to a CMU Member and includes, as amended from time to time, (a) all the obligations for the time being applicable to a CMU Member under or by virtue of its membership agreement with the CMU Service and the CMU Reference Manual, (b) all the operating procedures as set out in the CMU Reference Manual for the time being in force in so far as such procedures are applicable to a CMU Member and (c) any directions for the time being in force and applicable to a CMU Member given by the CMU Operator through any operational circulars or pursuant to any provision of its membership agreement with the CMU Operator or the CMU Reference Manual;

“CMU Service” means the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority; and

“RMB” means the lawful currency of the People’s Republic of China.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of a deed of covenant dated 11th May, 2015 (the “Deed of Covenant”) and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, a deed poll dated 25th August, 2006 (the “Deed Poll”) and made by the Issuer, the applicable Pricing Supplement and the Deed of Covenant are available during normal business hours at the specified office of each of the Principal Paying Agent, the Registrar and the other Paying Agents and Transfer Agents (such agents and the Registrar being together referred to as the “Agents”). Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of each of the Agents save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be available for inspection by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer or the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed Poll, the Deed of Covenant and the applicable Pricing Supplement which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and vice versa.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”) and/or Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) and/or a sub-custodian for the CMU Service, each person (other than Euroclear or Clearstream, Luxembourg or the CMU Service) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg or the CMU Service as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note and the registered holder of any Registered Note shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU Service, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) (“CMU Accountholders”) and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note.

For so long as the Depository Trust Company (“DTC”) or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC’s published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes that are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear, Clearstream, Luxembourg and/or the CMU Service, as the case may be. References to DTC, Euroclear, Clearstream, Luxembourg and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

2. TRANSFERS OF REGISTERED NOTES

(a) Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee or sub-custodian

for DTC, Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee or sub-custodian of DTC, Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, or to a successor of DTC, Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, or such successor's nominee or sub-custodian.

(b) Transfers of Registered Notes in definitive form

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 10 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 8, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other Governmental charge that may be imposed in relation to the registration.

(e) Transfers of interests in Regulation S Global Notes

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

- (i) upon receipt by the Registrar of a written certification substantially in the form set out in Schedule 8 to the Agency Agreement, amended as appropriate (a “Transfer Certificate”), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:
 - (A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
 - (B) to a person who is an Institutional Accredited Investor, subject to delivery of the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an “IAI Investment Letter”); or
- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of (A) above, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of (B) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

(f) Transfers of interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or
- (ii) to a transferee who takes delivery of such interest through a Legended Note:
 - (A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

- (B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear, Clearstream, Luxembourg or the CMU Service, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) Exchanges and transfers of Registered Notes generally

Holders of Registered Notes in definitive form, other than Institutional Accredited Investors, may exchange such Notes for interests in a Registered Global Note of the same type at any time.

(h) Definitions

In this Condition, the following expressions shall have the following meanings:

“Distribution Compliance Period” means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

“Institutional Accredited Investor” means “accredited investors” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act that are institutions;

“Legended Note” means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

“QIB” means a “qualified institutional buyer” within the meaning of Rule 144A;

“Regulation S” means Regulation S under the Securities Act;

“Regulation S Global Note” means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

“Rule 144A” means Rule 144A under the Securities Act;

“Rule 144A Global Note” means a Registered Global Note representing Notes sold in the United States or to QIBs; and

“Securities Act” means the United States Securities Act of 1933, as amended.

3. STATUS OF THE NOTES

(a) Status of the Senior Notes

The Notes that are not Subordinated Notes (the “Senior Notes”) and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such as may be preferred by mandatory provisions of applicable law.

(b) Status of the Subordinated Notes

(i) Tier II Subordinated Notes

This Condition 3(b)(i) applies only to Notes specified in the applicable Pricing Supplement as “Tier II Subordinated Notes.”

The Notes whose status is specified in the applicable Pricing Supplement as Tier II Subordinated (the “Tier II Subordinated Notes”) and any relative Receipts and Coupons constitute direct, unsecured and subordinated (as described in Condition 3(c)) obligations of the Issuer which (subject to the provisions of Condition 9) will at all times rank (x) junior to the Senior Indebtedness of the Issuer (as defined in Condition 3(c)), (y) *pari passu* with and rateably without any preference among themselves and all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior to the Tier II Subordinated Notes (collectively, the “Tier II Obligations”) and (z) senior to, and in priority to claims of holders of, the Tier I Obligations (as defined in Condition 3(b)(ii)) and all classes of equity of the Issuer.

(ii) Tier I Subordinated Notes

This Condition 3(b)(ii) applies only to Notes specified in the applicable Pricing Supplement as “Tier I Subordinated Notes.”

The Notes whose status is specified in the applicable Pricing Supplement as Tier I Subordinated (the “Tier I Subordinated Notes”) and any relative Receipts and Coupons constitute direct, unsecured and subordinated (as described in Condition 3(c)) obligations of the Issuer which (subject to the provisions of Conditions 6(f) and 9) will at all times rank (x) junior to the Senior Indebtedness of the Issuer (as defined in Condition 3(c)), (y) *pari passu* with and rateably without any preference among themselves and all other subordinated obligations of the Issuer which either constitute additional Tier I capital of the Issuer under applicable Korean laws and regulations or otherwise rank or are expressed by their terms to rank *pari passu* with the Tier I Subordinated Notes (collectively, the “Tier I Obligations”) and (z) senior to, and in priority to claims of holders of, all classes of equity of the Issuer (other than equity that constitutes Tier II capital of the Issuer under applicable Korean laws and regulations). In addition, in the case of a Bankruptcy Event (as defined in Condition 3(c)), the Tier I Subordinated Notes shall be deemed not to constitute liabilities for purposes of determining whether the Issuer’s liabilities exceed its assets.

(c) Subordination

This Condition 3(c) applies only to Tier I Subordinated Notes and Tier II Subordinated Notes (together, the “Subordinated Notes”).

- (i) If, on or prior to the Maturity Date or at any time while any amount is due and outstanding under any Subordinated Notes, a Bankruptcy Event (as defined below) occurs and so long as it continues, any amounts which become due then or thereafter under the Subordinated Notes (including overdue amounts) shall not be payable unless and until the total amount of any and all Senior Indebtedness of the Issuer which is listed on the distribution list (as amended, if such be the case) for final distribution submitted to the court in the bankruptcy proceedings is paid in full or provided to be paid in full in such bankruptcy proceedings.
- (ii) If, on or prior to the Maturity Date or at any time while any amount is due and outstanding under any Subordinated Notes, a Rehabilitation Event (as defined below) occurs and so long as it continues, any amounts which become due then or thereafter under the Subordinated Notes (including overdue amounts) shall not be payable unless and until the total amount of any and all Senior Indebtedness of the Issuer which is listed on the rehabilitation plan of the Issuer at the time when the court’s approval of such plan becomes final and conclusive is paid in full or provided to be paid in full in the rehabilitation proceedings to the extent of the original amount thereof (without regard to any adjustment of such amount in the approved rehabilitation plan).
- (iii) If, on or prior to the Maturity Date or at any time while any amount is due and outstanding under any Subordinated Notes, a Foreign Event (as defined below) occurs and so long as it continues, any amounts which become due then or thereafter under the Subordinated Notes (including overdue amounts) shall only become payable upon conditions equivalent to those enumerated in the above two paragraphs having been fulfilled, provided that notwithstanding any provision herein to the contrary if the imposition of any such conditions is not allowed under such proceedings, any amounts which become due under the Subordinated Notes shall become payable in accordance with the terms herein provided and not subject to such conditions.
- (iv) A holder of a Subordinated Note by its acceptance thereof or its interest therein, shall be deemed to agree that (i) if any payment in respect of such Note is made to such holder after the occurrence of a Subordination Event and the amount of such payment shall exceed the amount, if any, that should have been paid to such holder upon the proper application of these subordination provisions, the payment of such excess amount shall be deemed null and void and such holder (without the Registrar or any Paying Agent having any obligation or liability with respect thereto, save to the extent that the Registrar or such Paying Agent shall return to the Issuer any such excess amount which remains held by it at the time of the notice next referred to) shall be obliged to return the amount of the excess payment within ten days of receiving notice from the Issuer of the excess payment and (ii) upon the occurrence of a Subordination Event and so long as such Subordination Event continues, such holder shall not exercise any right to set off any liabilities of the Issuer under such Note which become so payable on or after the date on which the Subordination Event occurs against any liabilities of such holder owed to the Issuer unless, until and only in such amount as the liabilities of the Issuer under such Note become payable pursuant to the proper application of these subordination provisions.

In these Conditions:

a “Bankruptcy Event” shall mean a court of competent jurisdiction in Korea having adjudicated the Issuer to be bankrupt pursuant to the provisions of the Act on Debtor Rehabilitation and Bankruptcy of Korea or any successor legislation thereto;

a “Foreign Event” shall mean in any jurisdiction other than Korea, the Issuer having become subject to bankruptcy, rehabilitation or other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Korea;

“Korea” shall mean the Republic of Korea;

a “Rehabilitation Event” shall mean a court of competent jurisdiction in Korea having adjudicated the Issuer to be subject to the rehabilitation proceedings pursuant to the provisions of the Act on Debtor Rehabilitation and Bankruptcy of Korea or any successor legislation thereto;

“Senior Indebtedness of the Issuer” shall mean (i) in the case of Tier II Subordinated Notes, all deposits and other liabilities of the Issuer (other than the Tier II Obligations and the Tier I Obligations) and (ii) in the case of the Tier I Subordinated Notes, all deposits and other liabilities of the Issuer (other than the Tier I Obligations) and all equity that constitutes Tier II capital of the Issuer under applicable Korean laws and regulations; and

a “Subordination Event” shall mean any Bankruptcy Event, Rehabilitation Event or Foreign Event.

(d) Waiver of Creditors’ Rights

A holder of a Note by its acceptance thereof or its interest therein shall be deemed to have waived, and agreed not to exercise, any right as a creditor to require the Issuer to redeem such Note or provide collateral with respect thereto that may arise pursuant to the Korean Commercial Code in connection with a merger, spin-off, stock swap, stock transfer or other similar transaction of the Issuer.

4. NEGATIVE PLEDGE

So long as any of the Senior Notes remains outstanding (as defined in the Agency Agreement), the Issuer will not create or permit to be outstanding any mortgage, charge, pledge or other security interest upon the whole or part of its property, assets or revenues, present or future, to secure for the benefit of the holders of any International Investment Securities (as defined below) (i) payment of any sum due in respect of any such securities or (ii) any payment under any guarantee of any such securities or (iii) any payment under any indemnity or other like obligation relating to any such securities, without in any such case at the same time according to the Senior Notes and the Receipts and Coupons applicable thereto, either the same security as is granted to or is outstanding in respect of such International Investment Securities, guarantee, indemnity or other like obligation or such other security as shall be approved by an Extraordinary Resolution passed at a meeting of the holders of Senior Notes.

As used in this Condition, “International Investment Securities” means notes, debentures, bonds or investment securities of the Issuer which (a) either are by their terms payable, or confer a right to receive payment, in any currency other than Won or are denominated in Won and more than 50 per cent. of the aggregate principal amount thereof is initially distributed outside Korea by or with the authorisation of the Issuer and (b) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market outside Korea; provided that Covered Bonds (as defined below) in the aggregate outstanding

principal amount not exceeding an amount equal to 10 per cent. of the total consolidated assets as shown on the most recent consolidated accounts of the Issuer shall not constitute International Investment Securities.

In this Condition, “Covered Bonds” means debt securities (including any notes, bonds, debentures, certificates of deposit or investment securities) backed by cash flows generated from an underlying investment pool consisting of mortgage loans, public sector assets, cash, cash equivalents and/or other financial assets.

5. REDENOMINATION

(a) Redenomination

Where redenomination is specified in the applicable Pricing Supplement as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Principal Paying Agent, Euroclear and Clearstream, Luxembourg and at least 30 days’ prior notice to the Noteholders in accordance with Condition 16, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (i) the Notes and the Receipts shall be deemed to be redenominated in euro in the denomination of €0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Principal Paying Agent, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendments;
- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest €0.01;
- (iii) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of €1,000, €10,000, €100,000 and (but only to the extent of any remaining amounts less than €1,000 or such smaller denominations as the Principal Paying Agent may approve) €0.01 and such other denominations as the Principal Paying Agent shall determine and notify to the Noteholders;
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the “Exchange Notice”) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons

denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

- (v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;
- (vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention;
- (vii) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and
- (viii) such other changes shall be made to this Condition as the Issuer may decide, after consultation with the Principal Paying Agent, and as may be specified in the notice, to conform it to conventions then applicable to instruments denominated in euro.

(b) Definitions

In the Conditions, the following expressions have the following meanings:

“Established Rate” means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

“€” and “euro” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

“Redenomination Date” means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

“Treaty” means the Treaty establishing the European Community, as amended.

6. INTEREST

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrears on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in the Conditions, “Fixed Interest Period” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period ending other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 6(a):

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Pricing Supplement:
 - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
 - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (i) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (ii) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (ii) if “30/360” is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and
- (iii) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in the Fixed Interest Period divided by 365.

In the Conditions:

“Determination Period” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such Determination Date); and

“sub-unit” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) Interest on Floating Rate Notes and Index Linked Interest Notes

(i) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrears on either:

- (A) the Specified Interest Payment Date(s) (each an “Interest Payment Date”) in each year specified in the applicable Pricing Supplement; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each an “Interest Payment Date”) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 6(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, “Business Day” means a day that is both:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre specified in the applicable Pricing Supplement; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro and RMB, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne or Wellington, respectively); (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the “TARGET System”) is open; or (3) in relation to any sum payable in RMB, a day (other than a Saturday, Sunday or public holiday) on which (i) commercial banks and foreign exchange markets are open for business in Hong Kong and (ii) commercial banks in Hong Kong are open for business and settlement of RMB payments.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “ISDA Definitions”) and under which:

- (i) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (ii) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

- (iii) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“LIBOR”) or on the Euro-zone inter-bank offered rate (“EURIBOR”), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (A), “Floating Rate,” “Calculation Agent,” “Floating Rate Option,” “Designated Maturity” and “Reset Date” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (i) the offered quotation; or
- (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations, (expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (i) above, no such offered quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(iii) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) **Determination of Rate of Interest and calculation of Interest Amounts**

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 6(b):

- (A) if “Actual/365” or “Actual/Actual” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (C) if “Actual/365 (Sterling)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of or Interest Payment Date following in a leap year, 366;
- (D) if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (E) if “30/360,” “360/360” or “Bond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

(F) if “30E/360” or “Eurobond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(v) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notices to Noteholders will be published in accordance with Condition 16 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 16. For the purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business (including dealing in foreign exchange and foreign currency deposits) in London or, if the Specified Currency is RMB, in Hong Kong.

(vi) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6(b), whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Interest on Dual Currency Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

(d) Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(e) Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 16.

(f) Special Provisions Relating to Interest on Tier I Subordinated Notes

Notwithstanding any provisions to the contrary in these Terms and Conditions, the following will apply with respect to interest on the Tier I Subordinated Notes:

- (i) Interest on any Series of Tier I Subordinated Notes will be paid only out of the amount legally available under applicable Korean law for payment of dividends on equity of the Issuer or, if higher, the amount legally available under applicable Korean law for payment of interest on such Tier I Subordinated Notes (the “Dividend Reserve”). To the extent that the sum of (x) the amount of interest payable on any Series of Tier I Subordinated Notes on any Interest Payment Date (or, if applicable, during a fiscal year) and (y) the aggregate amount of interest and other distributions payable by the Issuer on the other Tier I Obligations during the fiscal quarter in which such Interest Payment Date falls (or, if applicable, during such fiscal year) exceeds the Dividend Reserve as of the relevant date (or, if applicable, for such fiscal year) pursuant to, and as calculated in accordance with, the requirements of applicable Korean law, the amount of interest payable on such Tier I Subordinated Notes on such Interest Payment Date (or, if applicable, during such fiscal year) will be reduced by an amount equal to the pro rata portion (calculated based on the relative aggregate amounts of interest and other distributions payable on each Tier I Obligation during such fiscal quarter or, if applicable, such fiscal year) of such excess.
- (ii) The Issuer may, in its sole discretion, elect not to pay, in whole or in part, any interest payable on any Series of Tier I Subordinated Notes on any Interest Payment Date; provided, however, that if the Issuer makes such an election, it will (unless it has set aside and deposited into an escrow account the full amount of interest that would become payable on such Tier I Subordinated Notes on the next succeeding Interest Payment Date) also make a similar election, in whole or in part on a pro rata basis, as applicable (to the fullest extent permitted by their respective terms and conditions), with respect to interest and other distributions that become payable on the other Tier I Obligations during the applicable Dividend Suspension Period (as defined below).
- (iii) The Tier I Subordinated Notes will not bear any interest during an Interest Cancellation Period (as defined below), and any interest payable on the Tier I Subordinated Notes on any Interest Payment Date falling within an Interest Cancellation Period will not be paid.
- (iv) Interest on the Tier I Subordinated Notes is non-cumulative. All amounts of such interest not paid in whole or in part pursuant to the preceding paragraphs will be deemed irrevocably cancelled, without the need for the consent of the holders of the Tier I Subordinated Notes, and will not be restored in any circumstances. For the avoidance of doubt, (A) any non-payment of interest, in whole or in part, by the Issuer

pursuant to the preceding paragraphs will not constitute an Event of Default under the Notes, (B) holders of the Tier I Subordinated Notes will not have any claim or entitlement to any amount of such unpaid interest, and (C) any and all amounts of such unpaid interest may be applied by the Issuer for any purpose, including without limitation for the satisfaction of its other obligations that are due and payable.

- (v) In the event that (x) any interest payable on any Series of Tier I Subordinated Notes on any Interest Payment Date will not be paid in whole or in part pursuant to the preceding paragraphs or (y) an Interest Cancellation Period has commenced or terminated, the Issuer will, no later than ten Business Days prior to the relevant Interest Payment Date or five Business Days after the commencement or termination of an Interest Cancellation Period, as applicable, provide notice of such non-payment or commencement/termination to the Paying Agents and to the holders of such Tier I Subordinated Notes in accordance with Condition 16, stating the reason for such non-payment (and specifying the amount of interest payable that will not be paid) or commencement/termination; provided, however, that the failure of the Issuer to provide such notice shall not affect the effectiveness of the cancellation of the applicable interest amounts.
- (vi) In the event that any interest payable on any Series of Tier I Subordinated Notes on any Interest Payment Date is not (or, if applicable, will not be) paid in whole or in part pursuant to the preceding paragraphs, the Issuer will not:
 - (A) declare or pay any dividends or other distributions in cash with respect to any of its common shares; and
 - (B) purchase, acquire or redeem any of its common shares or permit any of its Subsidiaries to do so;

in each case during the applicable Dividend Suspension Period.

As used herein:

“Dividend Suspension Period” means: the period from and including the applicable Interest Payment Date (or, if applicable, the first day of the relevant fiscal year) to but excluding the earlier of (x) the next succeeding Interest Payment Date on which the interest payable on the applicable Series of Tier I Subordinated Notes on such date is paid in full (or, if applicable, the last day of the relevant fiscal year) and (y) the date of redemption in full or Write-Off (as defined in Condition 9) of the applicable Series of Tier I Subordinated Notes.

“Interest Cancellation Period” means any of the following: (x) the period during which either a “management improvement recommendation,” a “management improvement requirement” or a “management improvement order” has been issued by the Financial Services Commission of Korea (the “FSC”) against the Issuer pursuant to Article 34, 35 or 36, respectively, of the Regulation on Supervision of Banking Business and is pending; or (y) the period during which “emergency measures” have been imposed by the FSC or its chairman against the Issuer pursuant to Article 38 of the Regulation on Supervision of Banking Business and are pending.

(g) Interest Rate Reset

If Interest Rate Reset is specified in the applicable Pricing Supplement, the Rate of Interest applicable to the Notes will be reset to the Reset Interest Rate (as defined below) effective as of each Interest Reset Date (as specified in the applicable Pricing Supplement), such that the

Notes will bear interest at the Reset Interest Rate during each period from (and including) an Interest Reset Date to (but excluding) the next succeeding Interest Reset Date or, if earlier, the date of redemption (each a “Reset Interest Period”).

The Principal Paying Agent will, on the Calculation Date (as defined below) for each Reset Interest Period, calculate the Reset Interest Rate for such Reset Interest Period and cause such Reset Interest Rate and the relevant Interest Reset Date to be notified to the Issuer and any stock exchange on which the Notes are for the time being listed, and the Issuer will cause notice to the Noteholders of such Reset Interest Rate and Interest Reset Date to be published in accordance with Condition 16 as soon as possible after such Calculation Date but in no event later than the fourth New York Business Day (as defined below) thereafter.

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6(g) by the Principal Paying Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

As used herein, unless otherwise specified in the applicable Pricing Supplement:

“Base Rate” means the U.S. Treasury Rate or such other rate as specified in the applicable Pricing Supplement.

“Calculation Date” means, in relation to a Reset Interest Period, the fifth New York Business Day (as defined below) preceding the Interest Reset Date on which such Reset Interest Period commences.

“Comparable Treasury Issue” means the U.S. Treasury security having a maturity comparable to the Reset Interest Period and selected by the Issuer as one that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity comparable to the Reset Interest Period.

“Comparable Treasury Price” means, with respect to a Calculation Date, the average of the three Reference Treasury Dealer Quotations (as defined below) for such Calculation Date.

“New York Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City.

“Reference Treasury Dealer Quotations” means, with respect to a Calculation Date, the average, as determined by the Principal Paying Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Issuer at 5:00 p.m. New York time on such Calculation Date by each of the three nationally recognised investment banking firms selected by the Issuer that are primary U.S. government securities dealers.

“Reset Interest Rate” means, in relation to a Reset Interest Period, a fixed percentage rate per annum equal to the sum of (x) the Base Rate for such Reset Interest Period and (y) the Spread (as specified in the applicable Pricing Supplement).

“U.S. Treasury Rate” means, in relation to a Reset Interest Period, the percentage rate per annum equal to the yield, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication that is published weekly by the Board of Governors of the U.S. Federal Reserve System (available on the website thereof at <http://www.federalreserve.gov/releases/h15/current/default.htm>, or any successor site), within the column that presents the average yields for the week ending immediately prior to the Calculation Date for such Reset Interest Period, under the caption “U.S. government securities – Treasury constant maturities – Nominal,” for U.S. Treasury securities having a maturity comparable to the Reset Interest Period. If such release does not appear on such website, “U.S. Treasury Rate” means the percentage rate per annum equal to the semi-annual or quarterly (as applicable) equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Calculation Date.

7. PAYMENTS

(a) Method of payment

Subject as provided below:

- (i) payments in a Specified Currency other than euro and RMB will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne or Wellington, respectively);
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque; and
- (iii) payments in RMB will be made by (a) transfer to the registered RMB account of the Noteholder maintained by or on behalf of it with a bank in Hong Kong and (b) if a Registered Note representing the Notes is lodged with the CMU Service, transfer to the registered RMB account maintained with a bank in Hong Kong by or on behalf of the persons(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU Service in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10, and (ii) any deduction or withholding required pursuant to FATCA (as defined in Condition 10).

(b) Presentation of definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of

any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 10) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 11) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Interest Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "Long Maturity Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon, provided that such Note shall cease to be a Long Maturity Note on the Fixed Interest Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

Notwithstanding the foregoing, in the case of definitive Bearer Notes held in the CMU Service, payment will be made at the direction of the bearer to the CMU Accountholders and such payment made in accordance therewith shall discharge the obligations of the Issuer in respect of that payment.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding or Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note (A) in the case of a Bearer Global Note lodged with the CMU Service, at the direction of the bearer to the CMU Accountholders or (B) in the case of a Bearer Global Note not lodged with the CMU Service, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made.

(d) Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the “Register”) (i) if the Registered Note is in global form, at the close of the business day (being for this purpose, in respect of Notes clearing through Euroclear and Clearstream, Luxembourg, a day on which Euroclear and Clearstream, Luxembourg are open for business, in respect of Notes clearing through the CMU Service, a day on which the CMU Service is open for business and in respect of Notes clearing through DTC, a day on which DTC is open for business) before the relevant due date and (ii) if the Registered Note is in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below) and mailed by uninsured mail as soon as reasonably practicable after the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Registrar at the close of business on the Record Date (as defined below). For these purposes, “Designated Account” means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and “Designated Bank” means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars, New Zealand dollars or RMB, shall be Sydney, Auckland or Hong Kong, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) if the Registered Note is in global form, at the close of the business day (being for this purpose, in respect of Notes clearing through Euroclear and Clearstream, Luxembourg, a day on which Euroclear and Clearstream,

Luxembourg are open for business, in respect of Notes clearing through the CMU Service, a day on which the CMU Service is open for business and in respect of Notes clearing through DTC, a day on which DTC is open for business) before the relevant due date, and (ii) if the Registered Note is in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day), in each case before the relevant due date (the “Record Date”) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) General provisions applicable to payments

The holder of a Global Note (if the Global Note is not lodged with the CMU Service) or the CMU Accountholder at the direction of the holder of a Global Note (if the Global Note is lodged with the CMU Service) shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of DTC, Euroclear, Clearstream, Luxembourg or the CMU Service as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to DTC, Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer (it being understood that under current U.S. federal income tax law, such payment would only be permitted, if at all, where exchange controls or other similar restrictions have been imposed that prevent the full payment or receipt of interest in U.S. dollars through Paying Agents outside the United States).

(f) Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day that (subject to Condition 10) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) the relevant place of presentation; and
 - (B) any Additional Financial Centre specified in the applicable Pricing Supplement;
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation and any Additional Financial Centre and which if the Specified Currency is Australian dollars, New Zealand dollars or RMB shall be Melbourne, Wellington or Hong Kong, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET System is open; and
- (iii) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

(g) Interpretation of principal and interest

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 10;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8(e)); and
- (vii) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 10.

(h) Payment in RMB

All payments in RMB will be made solely by credit to an RMB account maintained by the payee at a bank in Hong Kong in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of RMB in Hong Kong).

(i) RMB Currency Event

If “RMB Currency Event” is specified in the applicable Pricing Supplement and an RMB Currency Event, as determined by the Issuer acting in good faith, exists on a date for payment of any amount in respect of any Note, Receipt or Coupon, the Issuer’s obligation to make a payment in RMB under the terms of the Notes may be replaced by an obligation to pay such amount in the Relevant Currency (converted at the Alternate Settlement Rate as of a time selected by the Alternate Settlement Rate Determination Agent as specified in the applicable Pricing Supplement).

Upon the occurrence of an RMB Currency Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 16 stating the occurrence of the RMB Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

For the purposes of this Condition 7(i) and unless stated otherwise in the applicable Pricing Supplement:

“Alternate Settlement Rate” means the spot rate, determined by the Alternate Settlement Rate Determination Agent, between RMB and the Relevant Currency, taking into consideration all available information which the Alternate Settlement Rate Determination Agent deems relevant (including, but not limited to, the pricing information obtained from the RMB non-deliverable market outside the PRC and/or the RMB exchange market within the PRC);

“Governmental Authority” means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

“PRC” means the People’s Republic of China;

“Relevant Currency” means United States dollars or such other currency as may be specified in the applicable Pricing Supplement;

“RMB Currency Event” means any one of RMB Illiquidity, RMB Non-Transferability and RMB Inconvertibility;

“RMB Illiquidity” means the general RMB exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain sufficient RMB in order to satisfy its obligation to pay interest or principal (in whole or in part) in respect of the Notes, as determined by the Issuer acting in good faith and in a commercially reasonable manner following consultation with two independent foreign exchange dealers of international repute active in the RMB exchange market in Hong Kong;

“RMB Inconvertibility” means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the general RMB exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer, due to an event beyond the control of the Issuer, to comply with such law, rule or regulation); and

“RMB Non-Transferability” means the occurrence of any event that makes it impossible for the Issuer to deliver RMB between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong or from an account outside Hong Kong to an account inside Hong Kong (including where the RMB clearing and settlement system for participating banks in Hong Kong is disrupted or suspended), other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer due to an event beyond the control of the Issuer, to comply with such law, rule or regulation).

8. REDEMPTION AND PURCHASE

(a) Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

Notwithstanding any provisions to the contrary in these Terms and Conditions, the following will apply with respect to the redemption of the Tier I Subordinated Notes:

- (i) The Tier I Subordinated Notes are undated perpetual securities and shall have no fixed Maturity Date. Subject to Condition 3(c), the principal amount of the Tier I Subordinated Notes will become due and payable by the Issuer on the date on which

voluntary or involuntary winding up proceedings are instituted in respect of the Issuer in accordance with, as the case may be, (i) a resolution passed at a shareholders' meeting of the Issuer, (ii) any provision of the Issuer's articles of incorporation or (iii) any applicable law or any decision of any judicial or administrative authority.

- (ii) The Tier I Subordinated Notes may not be redeemed at any time without the prior approval of the Financial Supervisory Service of Korea (the "FSS") or such other relevant regulatory authorities in Korea, to the extent such approval is necessary.

(b) Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent (and the CMU Lodging Agent if applicable) and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 10 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 10) or any political subdivision of, or any authority in, or of, a Tax Jurisdiction having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that (1) in the case of Subordinated Notes, the prior approval of the Financial Supervisory Service of Korea (the "FSS") or such other relevant regulatory authorities in Korea shall have been obtained, if necessary and (2) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent (1) a certificate signed by two duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 8(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 16; and

- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Principal Paying Agent (and the CMU Lodging Agent if applicable) and in the case of a redemption of Registered Notes, the Registrar (which notices shall be irrevocable and shall specify the date fixed for redemption),

redeem all or some of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date; provided, however, that in the case of Subordinated Notes, (1) such redemption may not occur within five years of the Issue Date and (2) such redemption shall be subject to the prior approval of the FSS pursuant to regulations of the FSC in effect at the applicable time relating to, *inter alia*, capital adequacy ratios, replacement capital and interest rates. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and more than the Higher Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed (“Redeemed Notes”) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear, Clearstream, Luxembourg, DTC and/or the CMU Service, as the case may be, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “Selection Date”). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 16 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 16 at least five days prior to the Selection Date.

(d) Redemption of the Senior Notes only at the option of the Noteholders (Investor Put)

If Investor Put is specified in the applicable Pricing Supplement with respect to any Series of Senior Notes only, upon the holder of any Senior Note giving to the Issuer in accordance with Condition 16 not less than 15 nor more than 30 days’ notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, in whole (but not in part), such Senior Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes that are Senior Notes may be redeemed under this Condition 8(d) in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of this Note the holder of this Senior Note must deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be the Registrar (a “Put Notice”) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in

the case of Registered Notes that are Senior Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b). If this Senior Note is in definitive form, the Put Notice must be accompanied by this Senior Note or evidence satisfactory to the Paying Agent concerned that this Senior Note will, following delivery of the Put Notice, be held to its order or under its control.

Any Put Notice given by a holder of any Senior Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Senior Note forthwith due and payable pursuant to Condition 12.

(e) Early Redemption Amounts

For the purpose of paragraph (b) above and Condition 12, each Note will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the “Amortised Face Amount”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

“RP” means the Reference Price;

“AY” means the Accrual Yield expressed as a decimal; and

“y” is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360; or

- (iv) on such other calculation basis as may be specified in the applicable Pricing Supplement.

(f) Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

(h) Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Senior Notes (provided that in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation. The Issuer or any Subsidiary of the Issuer may not purchase Subordinated Notes.

(i) Cancellation

All Notes that are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to paragraph (g) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent (and the CMU Lodging Agent if applicable) and cannot be reissued or resold.

(j) Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 12 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent, the CMU Lodging Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 16.

(k) Redemption of Tier I Subordinated Notes for tax non-deductibility or regulatory reasons

Any Series of Tier I Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent (and the CMU Lodging Agent if applicable) and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), if either a Tax Non-deductibility Event or a Regulatory Event (each as defined below) has occurred and is continuing; provided that (1) the prior approval of the FSS or such other relevant regulatory authorities in Korea shall have been obtained, if necessary and (2) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which (x) the Issuer would cease to be able to claim the relevant tax deduction pursuant to such Tax Non-deductibility Event or (y) such Series of Tier I Subordinated Notes would cease to qualify (in whole or in part) as additional Tier I capital pursuant to such Regulatory Event, as applicable.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent (1) a certificate signed by two duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that such Tax Non-deductibility Event or Regulatory Event, as applicable, has occurred and is continuing.

Notes redeemed pursuant to this Condition will be redeemed at their Final Redemption Amount, together (subject to Condition 6(f)) with interest accrued to (but excluding) the date of redemption.

As used herein:

“Regulatory Event” means, with respect to any Series of Tier I Subordinated Notes, such Notes (after having qualified as such at the time of their issuance) will no longer qualify (in whole or in part) as additional Tier I capital of the Issuer under applicable Korean laws and regulations, as a result of a change in or amendment to, or a change in the application or official interpretation of, such laws or regulations; provided, however, that such change or amendment was not pending or foreseeable at the time of issuance of such Notes.

“Tax Non-deductibility Event” means, with respect to any Series of Tier I Subordinated Notes, the Issuer (after having been entitled to claim such a deduction at the time of issuance of such Notes) will no longer be entitled to claim a deduction in respect of interest paid on such Notes for purposes of Korean corporation tax under applicable Korean laws and regulations, as a result of a change in or amendment to, or a change in the application or official interpretation of, such laws or regulations; provided, however, that such tax non-deductibility cannot be avoided by the Issuer taking reasonable measures available to it.

9. LOSS ABSORPTION UPON A TRIGGER EVENT IN RESPECT OF SUBORDINATED NOTES

(a) Write-off on a Trigger Event

Effective as of the third Korean Business Day from the occurrence of a Trigger Event, each Subordinated Note, including the then outstanding principal amount thereof and any accrued but unpaid interest thereon, shall be irrevocably cancelled in whole, without the need for the consent of the holders of the Subordinated Notes (such cancellation being referred to herein as a “Write-off,” and “Written-off” shall be construed accordingly). Once the principal amount of, and any accrued but unpaid interest under, the Subordinated Notes has been Written-off, such amounts will not be restored in any circumstances, including where the relevant Trigger Event ceases to continue.

The Issuer shall provide a Trigger Event Notice to the holders of the Subordinated Notes, but such Write-off shall be effective irrespective of whether the Issuer has provided such Trigger Event Notice.

For the avoidance of doubt, any Write-off pursuant to this Condition 9(a) will not constitute an Event of Default under the Notes.

(b) Definitions

In these Conditions and unless stated otherwise in the applicable Pricing Supplement:

“Korean Business Day” means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in Seoul, Korea;

“Trigger Event” means the designation of the Issuer as an “insolvent financial institution” pursuant to the Act on the Structural Improvement of the Financial Industry; and

“Trigger Event Notice” means the notice specifying that a Trigger Event has occurred, which shall be issued by the Issuer not more than two Korean Business Days after the occurrence of a Trigger Event to the holders of the Subordinated Notes and the Issuing and Paying Agents in accordance with Condition 16 and which shall state in reasonable detail the nature of the relevant Trigger Event. Notwithstanding any provisions of Condition 16 to the contrary, any such notice shall be effective as of the date of its issuance by the Issuer.

10. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment by or on behalf of a holder of such Note, Receipt or Coupon who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon;
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7(f));
- (c) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union;
- (d) presented for payment by or on behalf of a holder of such Note, Receipt or Coupon who, at the time of such presentation, is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim; or
- (e) with respect to any tax, assessment or other governmental charge that would not have been imposed but for a failure by the holder or beneficial owner (or any financial institution through which the holder or beneficial owner holds any Note, Receipt or Coupon or through which payment on the Note, Receipt or Coupon is made) to comply with any certification, information, identification, documentation or other reporting requirements (including entering into and complying with an agreement with the U.S. Internal Revenue Service) imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (including any successor or amended version of these provisions, any regulations or agreements thereunder, or official interpretations thereof), or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement) (collectively, “FATCA”).

The obligation of the Issuer to pay additional amounts in respect of taxes, duties, assessments and governmental charges shall not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge, (b) any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of or interest on the Notes, or (c) a payment on a Note to a holder that is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to the additional amount had such beneficiary, settlor, member or beneficial owner been the holder of such Note.

As used herein:

- (i) “Tax Jurisdiction” means (i) Korea or any political subdivision or any authority thereof or therein having power to tax or (ii) if the Issuer is acting through a particular branch (as specified in the applicable Pricing Supplement), the country where such branch is located or any political subdivision or any authority thereof or therein having power to tax; and
- (ii) the “Relevant Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 16.

11. PRESCRIPTION

The Notes (whether in bearer form or registered form), Receipts and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 10) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7(b) or any Talon that would be void pursuant to Condition 7(b).

12. EVENTS OF DEFAULT

(a) Applicable to Senior Notes only

If any of the following events (each an “Event of Default”) occurs and is continuing:

- (i) a default is made for more than seven days in the payment of any principal due in respect of any of the Senior Notes when and as the same ought to be paid in accordance with these Conditions; or
- (ii) a default is made for more than 14 days in the payment of any amount other than principal in respect of any of the Senior Notes when and as the same ought to be paid in accordance with these Conditions; or
- (iii) a default is made by the Issuer in the performance or observance of any obligation (other than a payment obligation) under the Senior Notes and (except where such default is not capable of remedy, when no such notice shall be required) such default shall continue for 30 days after written notice requiring such default to be remedied shall have been given to the Issuer by any holder of a Senior Note; or
- (iv) any other notes, debentures, bonds or other Indebtedness (as defined below) having an aggregate principal amount of at least U.S.\$10,000,000 (or its equivalent in any other currency) or more of the Issuer or any Principal Subsidiary (as defined below) shall

become prematurely repayable following a default in respect of the terms thereof or steps are taken to enforce any security therefor, or the Issuer or any Principal Subsidiary defaults in the repayment of any such Indebtedness at the maturity thereof (or at the expiration of any applicable grace period therefor, if any) or any guarantee of or indemnity in respect of any Indebtedness of others given by the Issuer or any Principal Subsidiary shall not be honoured when due and called upon in accordance with its terms; or

- (v) a resolution is passed or an order of a court of competent jurisdiction is made that the Issuer be wound up or dissolved otherwise than for the purposes of or pursuant to and followed by (a) a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by an Extraordinary Resolution of a meeting of the holders of the Senior Notes or (b) a Qualifying Affiliate Merger (as defined below); or
- (vi) a resolution is passed or an order of a court of competent jurisdiction is made for the winding up or dissolution of any Principal Subsidiary except (a) for the purposes of or pursuant to and followed by a consolidation or amalgamation with or merger into the Issuer or any other Subsidiary, (b) for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction (other than as described in (a) above) the terms of which shall have previously been approved in writing by an Extraordinary Resolution of a meeting of the holders of the Senior Notes or (c) by way of a voluntary winding-up or dissolution where there are surplus assets in such Principal Subsidiary and such surplus assets attributable to the Issuer and/or any other Subsidiary are distributed on a pro-rata basis to the Issuer and/or any such other Subsidiary; or
- (vii) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Issuer or any Principal Subsidiary; or
- (viii) a distress, execution or other legal process is levied or enforced upon or sued out against a part of the property of the Issuer or any Principal Subsidiary which is material in its effect upon the operations of the Issuer or such Principal Subsidiary (as the case may be) and is not discharged within 45 days thereof; or
- (ix) the Issuer or any Principal Subsidiary (a) stops payment (within the meaning of Korean or any other applicable bankruptcy law) or (b) (otherwise than for the purposes of such a consolidation, amalgamation, merger, reconstruction or voluntary solvent winding up or dissolution as is referred to in (v) or (vi) above) ceases or through an official action of the Board of Directors of the Issuer or such Principal Subsidiary (as the case may be) threatens to cease to carry on business or (c) is unable to pay its debts as and when they fall due; or
- (x) proceedings shall have been initiated against the Issuer or any Principal Subsidiary under any applicable bankruptcy, reorganisation or insolvency law and such proceedings shall not have been discharged or stayed within a period of 60 days; or
- (xi) the Issuer or any Principal Subsidiary shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, reorganisation or insolvency law or make an assignment for the benefit of, or enter into any composition with, its creditors,

then any holder of any Senior Notes may, by written notice to the Issuer at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare such Senior Notes held by that holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 8(e)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

The Issuer shall fully indemnify each holder of Senior Notes from and against any reasonable costs, expenses, liabilities and losses which such holder of Senior Notes may suffer or incur as a direct result of the occurrence of any Event of Default (including, but without limitation, any expenses incurred in connection with legal proceedings to enforce repayment of such Senior Note).

In these Conditions:

“Indebtedness” means all obligations created, incurred or assumed by the Issuer for the payment or repayment of moneys relating to or in connection with (a) any indebtedness of the Issuer in respect of moneys borrowed by it, (b) any indebtedness of the Issuer under acceptance or documentary credit facilities; (c) any indebtedness of the Issuer under bills, bonds, debentures, notes or similar instruments on which the Issuer is liable; (d) any obligations of the Issuer under leases which in accordance with accounting principles generally accepted in Korea are required to be capitalised for financial reporting purposes; (e) any indebtedness of the Issuer (whether actual or contingent) for moneys owing under any instrument entered into by the Issuer in respect of the acquisition cost of assets payment of which is deferred for a period in excess of six months after acquisition thereof; and (f) indebtedness of the Issuer (actual or contingent) under guarantees, security, indemnities or other commitment designed to assure any creditors in respect of the payment of any indebtedness of any other person;

“Principal Subsidiary” means at any time a Subsidiary:

- (A) whose operating income (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose gross assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, are equal to) not less than 10 per cent. of the consolidated operating income of the Issuer, or, as the case may be, consolidated gross assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries, provided that, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;

- (B) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Principal Subsidiary and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (b) on the date on which the consolidated accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or
- (C) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, generate operating income equal to) not less than 10 per cent. of the consolidated operating income of the Issuer, or represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated gross assets of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (a) above, provided that the transferor Subsidiary (if a Principal Subsidiary) shall upon such transfer forthwith cease to be a Principal Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate operating income equal to) not less than 10 per cent. of the consolidated operating income of the Issuer, or its assets represent (or, in the case aforesaid, are equal to) not less than 10 per cent., of the consolidated gross assets of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (a) above, and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (c) on the date on which the consolidated accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

For the purposes of this definition:

- (i) if there shall not at any time be any relevant audited consolidated accounts of the Issuer and its Subsidiaries, references thereto herein shall be deemed to be references to a consolidation (which need not be audited) by the Issuer of the relevant audited accounts of the Issuer and its Subsidiaries;
- (ii) if, in the case of a Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, its consolidated operating income and consolidated gross assets shall be determined on the basis of *pro forma* consolidated accounts (which need not be audited) of the relevant Subsidiary and its Subsidiaries prepared for this purpose by the Issuer;
- (iii) if (i) any Subsidiary shall not in respect of any relevant financial period for whatever reason produce audited accounts or (ii) any Subsidiary shall not have produced at the relevant time for the calculations required pursuant to this definition audited accounts

for the same period as the period to which the latest audited accounts of the Issuer and its Subsidiaries relate, then there shall be substituted for the purposes of this definition the management accounts of such Subsidiary for such period; and

- (iv) where any Subsidiary is not wholly owned by the Issuer there shall be excluded from all calculations all amounts attributable to minority interests.

A report by two directors of the Issuer that in their opinion a Subsidiary is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of manifest or proven error, be conclusive and binding on all parties; and

“Qualifying Affiliate Merger” means any merger or consolidation of the Issuer with or into an Affiliate (as defined below) of the Issuer pursuant to which the Issuer is not the continuing corporation, provided that each of the following conditions shall have been satisfied in connection with such transaction: (i) the Issuer shall have notified the Noteholders of such transaction no less than 60 days prior to its consummation, in the manner set forth under Condition 16, (ii) the person resulting from such merger or consolidation shall be an entity organised and existing under the laws of Korea and shall have expressly assumed in writing (to the extent such assumption is not effected automatically by operation of applicable law) the due and punctual payment of the principal, premium (if any), interest (including additional amounts) and any other amounts payable on all the Notes and the performance or observance of every covenant of the Notes and the Agency Agreement on the part of the Issuer to be performed or observed, and (iii) after giving effect to such transaction and treating any Indebtedness for which the person resulting from such merger or consolidation shall become liable as a result of such transaction as having been incurred by the Issuer at the time of the transaction, no Event of Default or other default under the Notes or the Agency Agreement would have occurred and be continuing; and “Affiliate” of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of the foregoing definition, “control” when used with respect to any specified person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Subsidiary” means any corporation or other business entity of which the Issuer owns or controls (either directly or through another or other Subsidiaries) 50 per cent. or more of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such corporation or other business entity (whether or not capital stock or other ownership interest in any other class or classes shall or might have voting power upon the occurrence of any contingency).

(b) Applicable to Subordinated Notes only

- (i) If any Bankruptcy Event or the liquidation of the Issuer shall occur and be continuing (and provided that a Trigger Event has not occurred), then, in any such event, the holder of any Subordinated Note may by written notice to the Issuer declare such Note to be forthwith due and payable upon receipt of such notice by the Issuer whereupon such Note shall become due and repayable at its principal amount plus accrued interest (if any).
- (ii) Except as expressly provided in this Condition 12(b), no holder of any Subordinated Note shall have any right to accelerate any payment of principal or interest in respect of the Subordinated Notes.

- (iii) The only action the holder of a Subordinated Note may take in Korea against the Issuer on acceleration of the Subordinated Notes is to prove claims in the liquidation or other applicable proceedings in respect of the Issuer in Korea.

13. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Coupons or Talons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or any other relevant authority;
- (c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City; and
- (d) so long as the Notes are listed on the Singapore Exchange Securities Trading Limited (the "Singapore Stock Exchange") and the rules of the Singapore Stock Exchange so require, if the Notes are issued in definitive form, there will at all times be a Paying Agent in Singapore unless the Issuer obtains an exemption from the Singapore Stock Exchange.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7(e). Any variation, termination, appointment or change with respect to any Paying Agent shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 16.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

15. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 11.

16. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London and Asia (which is expected to be the *Financial Times* in London and the *Asian Wall Street Journal*) or, if the Bearer Notes are held through the CMU Service, in a leading English language daily newspaper of general circulation in Hong Kong (which is expected to be the *South China Morning Post*). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to listing. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of (i) Euroclear, Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear, Clearstream, Luxembourg, and/or DTC for communication by them to the holders of the Notes and (ii) the CMU Service, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note and, in addition, in the case of both (i) and (ii) above, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear, Clearstream, Luxembourg, DTC and/or the persons shown in the relevant CMU Instrument Position Report, as the case may be.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear, Clearstream, Luxembourg and/or DTC and/or, in the case of Notes lodged with the CMU Service, by delivery by such holder of such notice to the CMU Lodging Agent in Hong Kong, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear, Clearstream, Luxembourg, DTC and/or the CMU Service, as the case may be, may approve for this purpose.

17. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

(a) General

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Any such modification may only be made after:

- (i) the passage of an Extraordinary Resolution, which is defined in the Agency Agreement to mean a resolution passed by a majority consisting of not less than 75 per cent. of the votes cast at a meeting of the Noteholders, duly convened and held; or
- (ii) if required by the applicable Pricing Supplement, the fulfilment of the procedures set in Condition 17(c) below.

Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding.

(b) Meetings requiring an Extraordinary Resolution

The quorum at any meeting for passing an Extraordinary Resolution is one or more Eligible Persons (as defined in the Agency Agreement) present and holding or representing in the aggregate not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more Eligible Persons present and being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than 75 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more Eligible Persons present and holding or representing in the aggregate not less than a clear majority in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of Noteholders shall be binding on all Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

(c) Meeting requiring unanimous consent

If this Condition 17(c) is specified in the applicable Pricing Supplement as being applicable to the Notes then, notwithstanding anything herein to the contrary, no action at any meeting of Noteholders may be taken, and no modification, amendment, or supplement to the Notes, the Receipts, the Coupons, these Terms and Conditions or relevant provisions of the Agency Agreement may be made or effected for the purposes of any of the following:

- (i) modification of the Maturity Date (if any) of the Notes or reduction or cancellation of the nominal amount payable at maturity (including premium or redemption amounts, if any, and, in the case of Zero Coupon Notes, the Amortised Face Amount or other amount payable in respect thereof);
- (ii) reduction or cancellation of the amount payable or modification of the payment date in respect of any interest in respect of the Notes or variation of the method of calculating the rate of interest in respect of the Notes;

- (iii) reducing the principal amount (including premium or redemption amounts, if any, and, in the case of Zero Coupon Notes, the Amortised Face Amount or other amount payable in respect thereof) in respect of any Note, the portion of such principal amount which is payable upon acceleration of the maturity of such Note, the interest rate thereon or the premium payable upon redemption thereof;
- (iv) changing the obligation of the Issuer to pay additional amounts on any Note pursuant to Condition 10;
- (v) modification of the currency in which payments under the Notes are to be made (including premium or redemption amounts, if any, and, in the case of Zero Coupon Notes, the Amortised Face Amount or other amount payable in respect thereof);
- (vi) impairing the right to institute suit for the enforcement of any such payment on or with respect to any Note;
- (vii) amending the procedures provided for or the circumstances under which the Notes may be redeemed;
- (viii) reducing the proportion of the principal amount of Notes the consent of the Noteholders of which is necessary to modify or amend this Agreement or the Conditions or to make, take or give consent, waiver or other action provided hereby or thereby to be made, taken or given; or
- (ix) reducing the percentage of aggregate principal amount to Notes outstanding required for the adoption of a resolution or the quorum required at any meeting of Noteholders at which a resolution is adopted,

in each case unless such action or modification, amendment or supplement is approved by the affirmative vote of the holder of each Note then outstanding.

(d) Modifications

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (i) any modification (except as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (ii) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 16 as soon as practicable thereafter.

18. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes, provided that, in the case of Senior Notes that are Registered Notes, such

further issuance constitutes a qualified reopening of the original Series for U.S. federal income tax purposes or is otherwise treated as part of the same “issue” of debt instruments as the original Series for U.S. federal income tax purposes.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

(a) Governing law

The Agency Agreement, the Deed Poll, the Deed of Covenant, the Notes, the Receipts and the Coupons, as well as any non-contractual obligations arising out of or in connection therewith, are governed by, and shall be construed in accordance with, English law except that, in the case of Subordinated Notes, Conditions 3(b) and 3(c) are governed by, and shall be construed in accordance with, Korean law.

(b) Submission to jurisdiction

The Issuer agrees, for the exclusive benefit of the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection therewith) and that accordingly any suit, action or proceedings (together referred to as “Proceedings”) arising out of or in connection with the Notes, the Receipts and the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection therewith) may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such courts and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

(c) Appointment of Process Agent

The Issuer appoints Woori Bank, London Branch, at its registered office at 9th Floor, 71 Fenchurch Street, London EC3M 4HD, England as its agent for service of process, and undertakes that, in the event of Woori Bank, London Branch ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

(d) Waiver of immunity

The Issuer hereby irrevocably and unconditionally waives with respect to Notes, the Receipts and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving

of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any proceedings.

(e) Other documents

The Issuer has in the Agency Agreement, the Deed Poll and the Deed of Covenant submitted to the jurisdiction of the English courts and has appointed an agent for service of process in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes.

EXCHANGE RATES

The table below sets forth, for the periods and dates indicated, information concerning the base rate published by Seoul Money Brokerage Services, Ltd. for U.S. dollars against the Won (the “Market Average Exchange Rate”). The Market Average Exchange Rate on 24th April, 2017 was ₩1,136.6 = U.S.\$1.00. The Bank does 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.

	For the year ended 31st December,						
	2011	2012	2013	2014	2015	2016	2017 ⁽¹⁾
At end of period ⁽²⁾	₩ 1,153.3	₩ 1,071.1	₩ 1,055.3	₩ 1,099.2	₩ 1,172.0	₩ 1,208.5	₩ 1,136.6
Average ⁽³⁾	1,108.1	1,126.9	1,095.0	1,053.2	1,131.5	1,160.5	1,150.0
High.	1,199.5	1,181.8	1,159.1	1,118.3	1,203.1	1,240.9	1,208.5
Low	1,049.5	1,071.1	1,051.5	1,008.9	1,068.1	1,093.2	1,112.5

Source: Seoul Money Brokerage Services, Ltd.

Notes:

- (1) Through 24th April, 2017.
- (2) The Market Average Exchange Rate at the end of the period.
- (3) The average of the Market Average Exchange Rates over the relevant period.

CAPITALISATION OF THE BANK

The following table sets out the Bank's consolidated capitalisation (defined as the sum of its borrowings and debentures and its equity) as of 31st December, 2016. This information has been extracted from the Bank's consolidated financial statements as of and for the year ended 31st December, 2016, which are included in the 2016 Annual Report on Form 20-F incorporated by reference herein.

	As of 31st December, 2016 ⁽¹⁾
	(in billions of Won)
Indebtedness (including current portion):	
Borrowings	₩ 18,770
Debentures	23,565
Total Indebtedness	₩ 42,335
Equity:	
Capital stock, par value ₩5,000	
Authorised share capital (5,000 million shares)	
Issued common stock (676,000,000 shares)	₩ 3,381
Hybrid equity securities	3,575
Capital surplus	286
Other equity	(1,468)
Retained earnings	14,612
Non-controlling equity	160
Total equity	₩ 20,546
Total capitalisation	₩ 62,881

Note:

(1) There has been no material change in the capitalisation of the Bank since 31st December, 2016.

SELECTED FINANCIAL DATA AND STATISTICAL INFORMATION

Please see “Item 3A. Selected Financial Data” in the 2016 Annual Report on Form 20-F incorporated by reference herein.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Please see “Item 5. Operating and Financial Review and Prospects” in the 2016 Annual Report on Form 20-F incorporated by reference herein.

HISTORY AND DEVELOPMENT OF THE BANK

Please see “Item 4A. History and Development of the Company” in the 2016 Annual Report on Form 20-F incorporated by reference herein.

BUSINESS

Please see “Item 4B. Business Overview,” “Item 4C. Organizational Structure,” “Item 4D. Property, Plants and Equipment” and “Item 6D. Employees” in the 2016 Annual Report on Form 20-F incorporated by reference herein.

ASSETS AND LIABILITIES

Please see “Item 4B. Business Overview—Assets and Liabilities” in the 2016 Annual Report on Form 20-F, incorporated by reference herein.

RISK MANAGEMENT

Please see “Item 11. Quantitative and Qualitative Disclosures About Market Risk” in the 2016 Annual Report on Form 20-F incorporated by reference herein.

MANAGEMENT

Please see “Item 6A. Directors and Senior Management,” “Item 6B. Compensation,” “Item 6C. Board Practices” and “Item 6E. Share Ownership” in the 2016 Annual Report on Form 20-F incorporated by reference herein.

TRANSACTIONS WITH RELATED PARTIES

Please see “Item 7B. Related Party Transactions” in the 2016 Annual Report on Form 20-F incorporated by reference herein.

PRINCIPAL STOCKHOLDERS

Please see “Item 7A. Major Shareholders” in the 2016 Annual Report on Form 20-F incorporated by reference herein.

SUPERVISION AND REGULATION

Please see “Item 4B. Business Overview—Supervision and Regulation” in the 2016 Annual Report on Form 20-F incorporated by reference herein.

TAXATION

United States Taxation

The following is a summary of certain United States federal income tax considerations that may be relevant to a holder or a beneficial owner of a Registered Note that is a citizen or resident of the United States or a domestic corporation or that otherwise is subject to United States federal income taxation on a net income basis in respect of such Note (a “United States holder”), as well as certain considerations (described below under “– Reporting Provisions – Information Reporting and Backup Withholding” and “– Reporting Provisions – Foreign Account Tax Compliance Act”) relevant to a holder of a Registered Note that is not a United States holder. This summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change. This summary deals only with holders that will hold Registered Notes as capital assets, and does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks, tax-exempt entities, insurance companies, regulated investment companies, dealers in securities or currencies, traders in securities electing to mark to market, entities taxed as partnerships or partners therein, persons subject to the alternative minimum tax, persons that will hold such Notes as a position in a “straddle” or conversion transaction, or as part of a “synthetic security” or other integrated financial transaction, United States expatriates, non-resident alien individuals present in the United States for more than 182 days in a taxable year or persons that have a “functional currency” other than the U.S. dollar. Any special United States federal income tax considerations relevant to a particular issue of Registered Notes, including any Index Linked Notes, Dual Currency Notes or Partly Paid Notes, will be provided in the applicable Pricing Supplement.

This summary assumes that the Issuer will issue the Registered Notes through its principal office in Korea. If the Issuer issues Registered Notes through a non-U.S. branch outside Korea, certain additional United States federal income tax considerations relevant to the particular issue of Registered Notes may be addressed in the applicable Pricing Supplement. If the Issuer issues Registered Notes through a U.S. branch, the tax considerations relevant to United States holders and non-United States holders will be addressed in the applicable Pricing Supplement. The Issuer will not issue Bearer Notes through a U.S. branch.

This summary does not discuss tax considerations relevant to the ownership and disposal of Bearer Notes. In addition, this summary does not address the tax consequences of a redenomination. If the Issuer effects a redenomination, investors should consult their own advisors regarding the tax consequences to them, including the possibility that an investor will recognise foreign currency gain or loss as a result of the redenomination.

Further, this summary addresses only U.S. federal income tax consequences, and does not address consequences arising under state, local, or foreign tax laws or the Medicare tax on net investment income. Investors should consult their own tax advisors in determining the tax consequences to them of holding Registered Notes under such tax laws, as well as the application to their particular situation of the United States federal income tax considerations discussed below.

Senior Notes

This section addresses Senior Notes that are properly characterised as indebtedness for U.S. federal income tax purposes. Particular tax consequences relating to Senior Notes having a term to maturity of more than 30 years will be discussed in the applicable Pricing Supplement.

Payments of Interest and Additional Amounts. The gross amount of payments of “qualified stated interest” (as defined below under “Original Issue Discount”) and additional amounts, if any (*i.e.*, without reduction for withholding taxes imposed by any Tax Jurisdiction, determined utilising the appropriate withholding tax rate for that Tax Jurisdiction applicable to the United States holder), but excluding any pre-issuance accrued interest, on a Registered Note will be taxable to a United States holder as ordinary interest income at the time that such payments are accrued or are received (in

accordance with the United States holder's method of tax accounting). If payments of this kind are made with respect to a Registered Note that is denominated in a single currency other than the U.S. dollar (a "Foreign Currency Note"), the amount of interest income realised by a United States holder that uses the cash method of tax accounting will be the U.S. dollar value of the Specified Currency payment based on the exchange rate in effect on the date of receipt regardless of whether the payment in fact is converted into U.S. dollars. A United States holder that uses the accrual method of accounting for tax purposes will accrue interest income on the Note in the relevant foreign currency and translate the amount accrued into U.S. dollars based on the average exchange rate in effect during the interest accrual period (or portion thereof within the United States holder's taxable year), or, at the accrual basis United States holder's election, at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if this date is within five business days of the last day of the accrual period. A United States holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the Internal Revenue Service (the "IRS"). A United States holder that uses the accrual method of accounting for tax purposes will recognise foreign currency gain or loss, as the case may be, on the receipt of an interest payment made with respect to a Foreign Currency Note if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. Amounts attributable to pre-issuance accrued interest will generally not be includable in income, except to the extent of foreign currency gain or loss attributable to any changes in exchange rates during the period between the date the United States holder acquired the Note and the first Interest Payment Date. This foreign currency gain or loss will be treated as ordinary income or loss but generally will not be treated as an adjustment to interest income received on the Note.

Purchase, Sale and Retirement of Registered Notes. A United States holder's tax basis in a Registered Note generally will equal the cost of such Note to such holder, increased by any amounts includible in income by the holder as original issue discount and market discount and reduced by any amortised premium (each as described below) and any payments other than payments of qualified stated interest made on such Note. In the case of a Foreign Currency Note, the cost of such Note to a United States holder will be the U.S. dollar value of the foreign currency purchase price on the date of purchase. In the case of a Foreign Currency Note that is traded on an established securities market, a cash basis United States holder (and, if it so elects, an accrual basis United States holder) will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The amount of any subsequent adjustments to a United States holder's tax basis in a Registered Note in respect of original issue discount, market discount and premium denominated in a Specified Currency will be determined in the manner described under "Original Issue Discount" and "Premium and Market Discount" below. The conversion of U.S. dollars to a Specified Currency and the immediate use of the Specified Currency to purchase a Foreign Currency Note generally will not result in taxable gain or loss for a United States holder.

Upon the sale, exchange or retirement of a Registered Note, a United States holder generally will recognise gain or loss equal to the difference between the amount realised on the sale, exchange or retirement (less any accrued qualified stated interest, which will be taxable as such) and the United States holder's tax basis in such Note. If a United States holder receives a currency other than the U.S. dollar in respect of the sale, exchange or retirement of a Registered Note, the amount realised will be the U.S. dollar value of the specified currency received calculated at the exchange rate in effect on the date the instrument is disposed of or retired. In the case of a Foreign Currency Note that is traded on an established securities market, a cash basis United States holder, and if it so elects, an accrual basis United States holder will determine the U.S. dollar value of the amount realised by translating such amount at the spot rate on the settlement date of the sale. The election available to accrual basis United States holders in respect of the purchase and sale of Foreign Currency Notes traded on an established securities market, discussed above, must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Except as discussed below with respect to market discount, Short-Term Notes (as defined below) and foreign currency gain or loss, gain or loss recognised by a United States holder generally will be long-term capital gain or loss if the United States holder has held such Note for more than one year at the time of disposition. Long-term capital gains recognised by an individual holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The deduction of capital losses is subject to limitations.

Gain or loss recognised by a United States holder on the sale, exchange or retirement of a Foreign Currency Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates during the period in which the holder held such Note. This foreign currency gain or loss will not be treated as an adjustment to interest income received on the Notes.

Original Issue Discount. If the Issuer issues Registered Notes at a discount from their stated redemption price at maturity (as defined below), and the discount is equal to or more than the product of one-fourth of one per cent. (0.25 per cent.) of the stated redemption price at maturity of the Notes multiplied by the number of full years to their maturity (the “*de minimis* threshold”), the Notes will be “Original Issue Discount Notes.” The difference between the issue price and the stated redemption price at maturity of the Notes will be the “original issue discount” (“OID”). The “issue price” of the Notes will be the first price at which a substantial amount of the Notes are sold to the public (*i.e.*, excluding sales of the Notes to underwriters, placement agents, wholesalers, or similar persons). The “stated redemption price at maturity” will include all payments under the Notes other than payments of qualified stated interest. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments issued by the Issuer) at least annually during the entire term of the Notes at a single fixed interest rate or, subject to certain conditions, based on one or more interest indices.

United States holders of Original Issue Discount Notes generally will be subject to the special tax accounting rules for obligations issued with OID provided by the Internal Revenue Code of 1986, as amended, and certain regulations promulgated thereunder (the “OID Regulations”). United States holders of such Notes should be aware that, as described in greater detail below, they generally must include OID in ordinary gross income for United States federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income.

In general, each United States holder of an Original Issue Discount Note, regardless of whether the holder uses the cash or the accrual method of tax accounting, will be required to include in ordinary gross income the sum of the “daily portions” of OID on such Note for all days during the taxable year that the United States holder owns such Note. The daily portions of OID on an Original Issue Discount Note are determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. Accrual periods may be any length and may vary in length over the term of an Original Issue Discount Note, *provided that* no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period. In the case of an initial holder, the amount of OID on an Original Issue Discount Note allocable to each accrual period is determined by (a) multiplying the “adjusted issue price” (as defined below) of the Original Issue Discount Note at the beginning of the accrual period by the yield to maturity of such Original Issue Discount Note (appropriately adjusted to reflect the length of the accrual period) and (b) subtracting from that product the amount (if any) of qualified stated interest allocable to that accrual period. The yield to maturity of such Note is the discount rate that causes the present value of all payments on such Note as of its original issue date to equal the issue price of such Note. The “adjusted issue price” of an Original Issue Discount Note at the beginning of any accrual period will generally be the sum of its issue price (generally including accrued interest, if any) and the amount of OID allocable to all prior accrual periods, reduced by the amount of all payments other than payments of qualified stated interest (if any) made with respect to such Note in all prior accrual periods. As a result of this “constant yield” method of including OID in income, the amounts includible in income by

a United States holder in respect of an Original Issue Discount Note denominated in U.S. dollars generally are lesser in the early years and greater in the later years than the amounts that would be includible on a straight-line basis.

A United States holder generally may make an irrevocable election to include in its income its entire return on a Registered Note (*i.e.*, the excess of all remaining payments to be received on the Note, including payments of qualified stated interest, over the amount paid by such United States holder for the Note) under the constant-yield method described above. For Registered Notes purchased at a premium or bearing market discount in the hands of the United States holder, the United States holder making this election will also be deemed to have made the election (discussed below in “– Premium and Market Discount”) to amortise premium or to accrue market discount in income currently on a constant-yield basis.

In the case of an Original Issue Discount Note that is also a Foreign Currency Note, a United States holder should determine the U.S. dollar amount includible in income as OID for each accrual period by (a) calculating the amount of OID allocable to each accrual period in the Specified Currency using the constant-yield method described above, and (b) translating the amount of the Specified Currency so derived at the average exchange rate in effect during that accrual period (or portion thereof within a United States holder’s taxable year) or, at the United States holder’s election (as described above under “– Payments of Interest”), at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. Because exchange rates may fluctuate, a United States holder of an Original Issue Discount Note that is also a Foreign Currency Note may recognise a different amount of OID income in each accrual period than would the holder of an otherwise similar Original Issue Discount Note denominated in U.S. dollars. All payments on an Original Issue Discount Note (other than payments of qualified stated interest) will generally be viewed first as payments of previously accrued OID (to the extent thereof), with payments attributed first to the earliest-accrued OID, and then as payments of principal. Upon the receipt of an amount attributable to OID (whether in connection with a payment of an amount that is not qualified stated interest or the sale or retirement of the Original Issue Discount Note), a United States holder will recognise ordinary income or loss measured by the difference between the amount received (translated into U.S. dollars at the exchange rate in effect on the date of receipt or on the date of disposition of the Original Issue Discount Note, as the case may be) and the amount accrued (using the exchange rate applicable to such previous accrual).

A subsequent United States holder of an Original Issue Discount Note that purchases the Note at a cost less than its remaining redemption amount (as defined below), or an initial United States holder that purchases an Original Issue Discount Note at a price other than the Note’s issue price, also generally will be required to include in gross income the daily portions of OID, calculated as described above. However, if the United States holder acquires the Original Issue Discount Note at a price greater than its adjusted issue price, the holder is required to reduce its periodic inclusions of OID income to reflect the premium paid over the adjusted issue price. The “remaining redemption amount” for a Note is the total of all future payments to be made on the Note other than payments of qualified stated interest.

Floating Rate Notes generally will be treated as “variable rate debt instruments” under the OID Regulations. Accordingly, the stated interest on a Floating Rate Note generally will be treated as “qualified stated interest” and such Note will not have OID solely as a result of the fact that it provides for interest at a variable rate. If a Floating Rate Note qualifying as a “variable rate debt instrument” is an Original Issue Discount Note, for purposes of determining the amount of OID allocable to each accrual period under the rules above, the Note’s “yield to maturity” and “qualified stated interest” will generally be determined as though the Note bore interest in all periods at a fixed rate generally equal to the rate that would be applicable to the interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield that is reasonably expected for such Note. Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index.

If a Floating Rate Note does not qualify as a “variable rate debt instrument,” the Note will be subject to special rules (the “Contingent Payment Regulations”) that govern the tax treatment of debt obligations that provide for contingent payments (“Contingent Debt Obligations”). A detailed description of the tax considerations relevant to United States holders of any such Notes will be provided in the applicable Pricing Supplement.

Certain of the Registered Notes may be subject to special redemption, repayment or interest rate reset features, as indicated in the applicable Pricing Supplement. Registered Notes containing such features, in particular Original Issue Discount Notes, may be subject to special rules that differ from the general rules discussed above. Purchasers of Registered Notes with such features should carefully examine the applicable Pricing Supplement and should consult their own tax advisors with respect to the Notes since the tax consequences with respect to such features, and especially with respect to OID, will depend, in part, on the particular terms of the Notes.

If a Note provides for an Accrual Period that is longer than one year (for example, as a result of a long initial period on a Note on which interest is generally paid on an annual basis), then stated interest on the Note will not qualify as “qualified stated interest” under the OID Regulations. As a result, the Note would be an Original Issue Discount Note. In that event, among other things, cash-method United States holders will be required to accrue stated interest on the Note under the OID Regulations, and all United States holders will be required to accrue OID that would otherwise fall under the *de minimis* threshold.

Premium and Market Discount. A United States holder of a Registered Note that purchases the Note at a cost greater than the Note’s remaining redemption amount (as defined in the third preceding paragraph) will be considered to have purchased the Note at a premium, and may elect to amortise this premium (as an offset to interest income), using a constant-yield method, over the remaining term of the Note. This election, once made, generally applies to all bonds held or subsequently acquired by the United States holder on or after the first taxable year to which the election applies and may not be revoked without the consent of the IRS. A United States holder that elects to amortise such premium must reduce its tax basis in the Note by the amount of the premium amortised during its holding period. Original Issue Discount Notes purchased at a premium will not be subject to the OID rules described above. In the case of premium in respect of a Foreign Currency Note, a United States holder should calculate the amortisation of the premium in the specified currency. Amortisation deductions attributable to a period reduce interest payments in respect of that period and therefore are translated into U.S. dollars at the exchange rate used by the United States holder for such interest payments. Exchange gain or loss will be realised with respect to amortised bond premium on a Note based on the difference between the exchange rate on the date or dates the premium is recovered through interest payments on the Note and the exchange rate on the date on which the United States holder acquired the Note. With respect to a United States holder that does not elect to amortise bond premium, the amount of bond premium will be included in the United States holder’s tax basis when the Note matures or is disposed of by the United States holder. Therefore, a United States holder that does not elect to amortise such premium and that holds the Note to maturity generally will be required to treat the premium as capital loss when the Note matures.

If a United States holder of a Registered Note purchases the Note, other than a Short-Term Note (as defined below), at a price that is lower than its remaining redemption amount, or in the case of an Original Issue Discount Note, its adjusted issue price, by at least 0.25 per cent. of its remaining redemption amount multiplied by the number of remaining whole years to maturity, the Note will be considered to have “market discount” in the hands of the United States holder. In such case, gain realised by the United States holder on the disposition of the Note generally will be treated as ordinary income to the extent of the market discount that accrued on the Note while held by the United States holder. In addition, the United States holder could be required to defer the deduction of a portion of the interest paid on any indebtedness incurred or maintained to purchase or carry the Note. In general terms, market discount on a Registered Note will be treated as accruing ratably over the term of the Note, or, at the election of the holder, under a constant yield method. Market discount on a Foreign Currency Note

will be accrued by a United States holder in the specified currency. The amount includible in income by a United States holder in respect of such accrued market discount will be the U.S. dollar value of the amount accrued, generally calculated at the exchange rate in effect on the date that the Note is disposed of by the United States holder.

A United States holder may elect to include market discount in income on a current basis as it accrues (on either a ratable or constant-yield basis), in lieu of treating a portion of any gain realised on a sale of a Registered Note as ordinary income. If a United States holder elects to include market discount on a current basis, the interest deduction deferral rule described above will not apply. Any accrued market discount on a Foreign Currency Note that is currently includible in income will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the United States holder's taxable year). Any such election, if made, applies to all market discount bonds acquired by the taxpayer on or after the first day of the first taxable year to which the election applies and is revocable only with the consent of the IRS.

Short-Term Notes. The rules set forth above will also generally apply to Registered Notes having maturities of not more than one year ("Short-Term Notes"), but with certain modifications.

First, the OID Regulations treat none of the interest on a Short-Term Note as qualified stated interest. Thus, all Short-Term Notes will be Original Issue Discount Notes. OID will be treated as accruing on a Short-Term Note ratably or, at the election of a United States holder, under a constant yield method.

Second, a United States holder of a Short-Term Note that uses the cash method of tax accounting and is not a bank, securities dealer, regulated investment company or common trust fund, and does not identify the Short-Term Note as part of a hedging transaction, will generally not be required to include OID in income on a current basis. Such a United States holder may not be allowed to deduct all of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry such Note until the Maturity of such Note or its earlier disposition in a taxable transaction. In addition, such a United States holder will be required to treat any gain realised on a sale, exchange or retirement of such Note as ordinary income to the extent such gain does not exceed the OID accrued with respect to such Note during the period the United States holder held such Note. Notwithstanding the foregoing, a cash-basis United States holder of a Short-Term Note may elect to accrue OID into income on a current basis or to accrue the "acquisition discount" on the Note under the rules described below. If the United States holder elects to accrue OID or acquisition discount, the limitation on the deductibility of interest described above will not apply.

A United States holder using the accrual method of tax accounting and certain cash-basis United States holders (including banks, securities dealers, regulated investment companies and common trust funds) generally will be required to include original issue discount on a Short-Term Note in income on a current basis. Alternatively, a United States holder of a Short-Term Note can elect to accrue the "acquisition discount," if any, with respect to such Note on a current basis. If such an election is made, the OID rules will not apply to the Note. Acquisition discount is the excess of the Short-Term Note's stated redemption price at maturity (*i.e.*, all amounts payable on the Short-Term Note) over the purchase price. Acquisition discount will be treated as accruing ratably or, at the election of the United States holder, under a constant-yield method based on daily compounding.

Finally, the market discount rules will not apply to a Short-Term Note.

Index Linked Notes and Other Notes Providing for Contingent Payments. The Contingent Payment Regulations, which govern the tax treatment of Contingent Debt Obligations, generally require accrual of interest income on a constant-yield basis in respect of such obligations at a yield determined at the time of their issuance, and may require adjustments to such accruals when any contingent payments are made. A detailed description of the tax considerations relevant to United States holders of any Contingent Debt Obligations will be provided in the applicable Pricing Supplement.

Subordinated Notes

Characterisation of the Subordinated Notes. No statutory, judicial or administrative authority directly addresses the characterisation of the Tier I or Tier II Subordinated Notes. As a result, significant aspects of the U.S. federal income tax consequences of an investment in the Subordinated Notes are uncertain. The Issuer believes, however, that notwithstanding their legal form as debt, the Tier I Subordinated Notes will be, and the Tier II Subordinated Notes should be, characterised as equity for U.S. federal income tax purposes (and not as debt), and the Issuer intends, absent a change in law, to so treat the Tier I Subordinated Notes. In general, under the U.S. Internal Revenue Code, the characterisation of an instrument for U.S. federal income tax purposes as debt or equity of a corporation by its issuer as of the time of issuance is binding on a holder unless the holder discloses on its tax return that it is taking an inconsistent position. The issuer's characterisation, however, is not binding on the IRS.

Payments of Interest. Subject to the discussion below under “– PFIC Rules,” payments of stated interest on the Subordinated Notes (including any tax withheld and additional amounts paid in respect thereof) will be treated as distributions on stock of the Issuer and as dividends to the extent paid out of the current or accumulated earnings and profits of the Issuer, as determined under U.S. federal income tax principles. Because the Issuer does not expect to be able to determine its earnings and profits under U.S. federal income tax principles, it is expected that distributions paid to United States holders generally will be reported as dividends. Payments received by a United States holder that are treated as dividends generally will not be eligible for the dividends received deduction. In the case of the Tier I Subordinated Notes, accrual-method holders generally will take such dividends into account when paid.

Subject to certain exceptions for short-term and hedged positions and the discussion below under “– PFIC Rules,” the U.S. dollar amount of dividends received by an individual generally will be subject to taxation at reduced rates if the dividends are “qualified dividends.” Dividends on the Subordinated Notes should be the type of dividend that is eligible to be a qualified dividend, although there is some uncertainty as to the application of the qualified dividend rules to instruments that are treated as equity for U.S. federal income tax purposes but have the legal form of debt. If these rules apply to the Subordinated Notes, it is possible that short-term capital loss realised by a United States holder on the Notes will be converted into long-term capital loss to the extent of any qualified dividend payments that exceed 5% of its basis in the Notes. United States holders should consult their own tax advisors regarding the availability of this reduced dividend tax rate for interest payments on the Subordinated Notes.

Sale, Exchange, Redemption or Write-off of the Tier I Subordinated Notes. Subject to the discussion below under “– PFIC Rules,” a United States holder will recognise capital gain or loss upon the sale, exchange or redemption of Subordinated Notes or a write-off of Tier I Subordinated Notes in an amount equal to the difference between the amount realised on such disposition (or zero in the case of a write-off) and the United States holder's adjusted tax basis in the Tier I Subordinated Notes. A United States holder's tax basis in a Tier I Subordinated Note generally will be the price it paid for the Note. Any capital gain or loss will be long term if the Tier I Subordinated Notes have been held for more than one year. The deductibility of capital losses is subject to limitations.

PFIC Rules. Special U.S. federal income tax rules apply to United States holders owning shares of a “passive foreign investment company,” or “PFIC.” If the Issuer is treated as a PFIC for any year, United States holders may be subject to adverse tax consequences upon a sale, exchange, or other disposition of the Subordinated Notes, or upon the receipt of certain “excess distributions” in respect of the Tier I Subordinated Notes. Dividends paid by a PFIC are not qualified dividends eligible to be taxed at preferential rates. Based on the Issuer's audited consolidated financial statements, the Issuer believes that it was not treated as a PFIC for U.S. federal income tax purposes with respect to its 2016 taxable year. In addition, based on the Issuer's current expectations regarding the value and nature of its assets and the sources and nature of its income, the Issuer does not anticipate becoming a PFIC for the 2017 taxable year.

Possible Alternative Treatment of the Subordinated Notes. As discussed above, significant aspects of the U.S. federal income tax consequences of an investment in the Tier II Subordinated Notes are uncertain. The IRS could assert that the Tier II Subordinated Notes should be characterised as debt for U.S. federal income tax purposes. If the Tier II Subordinated Notes were so treated, interest on the Tier II Subordinated Notes would be ordinary income. Moreover, in that event, the Tier II Subordinated Notes may be treated as a Contingent Debt Obligation, with the consequences, among others, that (i) a United States holder would be required to accrue interest on the Tier II Subordinated Notes even if it otherwise uses the cash method of accounting for U.S. federal income tax purposes, (ii) the amount of interest that must be accrued in any period may differ from the amount of stated interest accruing in that period, and (iii) gain from the sale, exchange or redemption of the Tier II Subordinated Notes would be ordinary income. Prospective investors should consult their tax advisors as to the tax consequences to them if the Tier II Subordinated Notes were characterised as debt for U.S. federal income tax purposes.

Reporting Provisions

Information Reporting and Backup Withholding. The Paying Agent will be required to file information returns with the IRS with respect to payments made to certain United States holders of Registered Notes. In addition, certain United States holders may be subject to backup withholding tax in respect of such payments if they do not provide their taxpayer identification numbers to the Paying Agent. Persons holding Registered Notes who are not United States holders may be required to comply with applicable certification procedures to establish that they are not United States holders in order to avoid the application of such information reporting requirements and backup withholding. Any amounts withheld under the backup withholding rules will be allowed as a credit against a holder's United States federal income tax liability, if any, or as a refund, provided the required information is timely furnished to the IRS.

Specified Foreign Financial Assets. Certain United States holders that own "specified foreign financial assets" with an aggregate value in excess of US\$50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which would include the Notes) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. United States holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the Notes, including the application of the rules to their particular circumstances.

Foreign Currency Notes and Reportable Transactions. A United States holder that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A United States holder may be required to treat a foreign currency exchange loss relating to a Foreign Currency Note as a reportable transaction if the loss exceeds \$50,000 in a single taxable year if the United States holder is an individual or trust, or higher amounts for other United States holders. In the event the acquisition, ownership or disposition of a Foreign Currency Note constitutes participation in a "reportable transaction" for purposes of these rules, a United States holder will be required to disclose its investment to the IRS, currently on Form 8886. Prospective purchasers should consult their tax advisors regarding the application of these rules to the acquisition, ownership or disposition of Foreign Currency Notes.

Foreign Account Tax Compliance Act. Pursuant to FATCA, holders and beneficial owners of the Notes may be required to provide to a financial institution in the chain of payments on the Notes information and tax documentation regarding their identities, and in the case of a holder that is an entity, the identities of their direct and indirect owners, and this information may be reported to relevant tax

authorities, including the IRS. Moreover, starting at the earliest on January 1, 2019, the Issuer, the Paying Agents, and other financial institutions through which payments are made, may be required to withhold U.S. tax at a 30% rate on “foreign passthru payments” (a term not yet defined) paid to an investor who does not provide information sufficient for the institution to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States account” of the institution, or to an investor that is, or holds the Notes directly or indirectly through, a non-U.S. financial institution that is not in compliance with FATCA.

Under delayed effective dates applicable to all Notes, the withholding tax on foreign passthru payments would apply at the earliest starting on January 1, 2019. Furthermore, under a grandfathering rule applicable to the Senior Notes (and to the Tier II Subordinated Notes in the event they are treated as debt for U.S. federal income tax purposes), this withholding tax will not apply unless the relevant series of Notes is issued or materially modified after the date that is six months after the date on which final U.S. Treasury Regulations defining the term “foreign passthru payment” are filed with the U.S. Federal Register. If U.S. withholding tax were to be deducted or withheld from payments on any series of Notes as a result of a failure by an investor (or by an institution through which an investor holds the Notes) to comply with FATCA, neither the Issuer nor any Paying Agent nor any other person would, pursuant to the terms of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. These requirements may be modified by the adoption or implementation of an intergovernmental agreement between the United States and another country, including the intergovernmental agreement concerning FATCA signed by the Republic of Korea and the United States. Prospective investors should consult their own tax advisers about how FATCA may apply to their investment in the Notes.

Korean Taxation

The information provided below does not purport to be a complete summary of Korean tax law and practice currently applicable. Prospective investors who are in any doubt as to their tax position should consult with their own professional advisors.

The taxation of non-resident individuals and non-Korean corporations (“Non-Residents”) depends on whether they have a “permanent establishment” (as defined under Korean law and applicable tax treaty) in Korea to which the relevant Korean source income is attributable or with which such income is effectively connected. Non-Residents without a permanent establishment in Korea are taxed in the manner described below. Non-Residents with permanent establishments in Korea are taxed in accordance with different rules.

Tax on Interest

Interest on the Notes paid to Non-Residents (excluding payments to their permanent establishment in Korea), being foreign currency denominated bonds, is exempt from income tax and corporation tax (whether payable by withholding or otherwise) pursuant to the Tax Exemption and Limitation Law (the “TELL”), so long as the Notes are “foreign currency denominated bonds” under the TELL and the issuance of the Notes is deemed to be an overseas issuance under the TELL. The term “foreign currency denominated bonds” in this context is not defined under the TELL. In this regard, the Korean tax authority issued a ruling on 1st September, 1990 to the effect that “a notes issuance facility, commercial paper issued in U.S. dollars or euros or a banker’s acceptance” are not treated as “foreign currency denominated bonds.”

If the tax exemption under the TELL referred to above were to cease to be in effect, the rate of income tax or corporation tax applicable to interest on the Notes, for a Non-Resident without a permanent establishment in Korea, would be 14 per cent. of income. In addition, a tax surcharge called a local income tax would be imposed at the rate of 10 per cent. of the income tax or corporation tax (raising the total tax rate to 15.4 per cent.). The tax is withheld by the payer or the Bank. These tax rates may be reduced by an applicable tax treaty, convention or agreement between Korea and the country of the recipient of the income. The relevant tax treaties are discussed below under “– Tax Treaties.”

Tax on Capital Gains

Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident without a permanent establishment in Korea from the sale of the Notes to Non-Residents (other than to their permanent establishments in Korea). In addition, capital gains earned by Non-Residents with or without permanent establishments in Korea from the transfer taking place outside Korea of the Notes are currently exempt from taxation by virtue of the TELL, *provided that* the issuance of the Notes is deemed to be an overseas issuance under the TELL.

If the exclusion or exemption from Korean taxation referred to above were to cease to be in effect, in the absence of an applicable tax treaty reducing or eliminating tax on capital gains, the applicable rate of tax would be the lower of 11 per cent. of the gross realisation proceeds and (subject to the production of satisfactory evidence of the acquisition cost and certain direct transaction costs of the relevant Note) 22 per cent. of the realised gain (i.e., the excess of the gross realisation proceeds over the acquisition cost and certain direct transaction costs) made. If such evidence shows that no gain (or a loss) was made on the sale, no Korean tax is payable. There is no provision under relevant Korean law for offsetting gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of the Notes issued by Korean companies. The purchaser or any other designated withholding agent of the Notes is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority. Unless the seller can claim the benefit of an exemption from tax under an applicable tax treaty or on the failure of the seller to produce satisfactory evidence of his acquisition cost and certain direct transaction costs in relation to the instruments being sold, the purchaser or such withholding agent must withhold an amount equal to 11 per cent. of the gross realisation proceeds. Any amounts withheld by the purchaser or such withholding agent must be paid to the competent Korean tax office. The purchaser or withholding agent must pay any withholding tax no later than the tenth day of the month following the month in which the payment for the purchase of the relevant instruments occurred. Failure to transmit the withheld tax to the Korean tax authorities in time subjects the purchaser or such withholding agent to penalties under Korean tax laws. The Korean tax authorities may attempt to collect such tax from a Non-Resident who is liable for payment of any Korean tax on gains, as a purchaser or withholding agent who is obliged to withhold such tax, through proceedings against payments due to the Non-Resident from its Korean investments and the assets or revenues of any of the Non-Resident's branch or representative offices in Korea.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his death he was domiciled in Korea or had resided in Korea continuously for at least one year immediately prior to his death and (b) all property located in Korea which passes on death (irrespective of the domicile of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and the rate varies from a rate of 10 per cent. to 50 per cent. according to the value of the relevant property and the identity of the persons involved. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Under Korean inheritance and gift tax laws, bonds issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned. And, consequently, the Korean inheritance and gift taxes will be imposed on transfers of the Notes by inheritance and gift. Prospective purchasers should consult their personal tax advisors regarding the consequences of the imposition of Korea inheritance and gift tax.

Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by the Holders in connection with the issue of the Notes except for a nominal amount of stamp duty on certain documents executed in Korea which will be paid by the Bank. No securities transaction tax will be imposed upon the transfer of the Notes.

Tax Treaties

At the date of this offering circular, Korea has tax treaties with, *inter alia*, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, The Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States under which the rate of withholding tax on interest is reduced, generally to between 10 and 15 per cent. (including local income tax), and the tax on capital gains is often eliminated.

Each Holder should inquire whether he is entitled to the benefit of a tax treaty with respect to any transaction involving the Notes. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest payments to file with the payer or the Bank a certificate as to his residence. In the absence of sufficient proof, the payer or the Bank must withhold taxes in accordance with the above discussion.

In order to claim the benefit of a tax rate reduction or tax exemption available under the applicable tax treaties, a non-resident holder should submit to the payer of such Korean source income an application (for a reduced withholding tax rate, the “application for entitlement to reduced tax rate,” and for an exemption from withholding tax, the “application for exemption” under a tax treaty along with a certificate of the non-resident holder’s tax residence issued by a competent authority of the non-resident holder’s residence country) as the beneficial owner of such Korean source income (“BO Application”). Such application should be submitted to the withholding agent prior to the payment date of the relevant income. Subject to certain exceptions, where the relevant income is paid to an overseas investment vehicle (which is not the beneficial owner of such income) (“OIV”), a beneficial owner claiming the benefit of an applicable tax treaty with respect to such income must submit its BO Application to such OIV, which must submit an OIV report and a schedule of beneficial owners to the withholding agent prior to the payment date of such income. In the case of a tax exemption application, the withholding agent is required to submit such application (together with the applicable OIV report in the case of income paid to an OIV) to the relevant district tax office by the ninth day of the month following the date of the payment of such income.

Withholding and Gross Up

As mentioned above, interest on the Notes is exempt from any withholding or deduction on account of income tax or corporation tax pursuant to TELL. However, in the event that the payer or the Bank is required by law to make any withholding or deduction for or on account of any Korean taxes (as more fully described in “Terms and Conditions of the Notes – Taxation”) the Bank has agreed to pay (subject to the customary exceptions as set out in “Terms and Conditions of the Notes – Taxation”) such additional amounts as may be necessary in order that the net amounts received by the Holder of any Note after such withholding or deduction shall equal the respective amounts which would have been received by such Holder in the absence of such withholding or deduction.

United Kingdom Provision of Information Requirements

The comments below are of a general nature and are based on current United Kingdom (“UK”) tax law as applied in England and published practice of HM Revenue & Customs (“HMRC”), the UK tax authorities. Such law may be repealed, revoked or modified and such practice may not bind HMRC and/or may change (in each case, possibly with retrospective effect), resulting in UK tax consequences different from those discussed below. The comments below deal only with UK rules relating to information that may need to be provided to HMRC in connection with the Notes. They do not deal with any other UK tax consequences of acquiring, owning or disposing of the Notes. Each prospective investor should seek advice based on its particular circumstances from an independent tax adviser.

Information relating to the Notes may be required to be provided to HMRC in certain circumstances pursuant to certain domestic and international reporting and transparency regimes. Such information may include (but is not limited to) information relating to the value of the Notes, amounts paid or credited with respect to the Notes, details of the holders or beneficial owners of the Notes (or the persons for

whom the Notes are held), details of the persons who exercise control over entities that are, or are treated as, holders of the Notes, details of the persons to whom payments derived from the Notes are or may be paid and information and documents in connection with transactions relating to the Notes. Information may be required to be provided by, amongst others, the Issuer, the holders of the Notes, persons by or through whom payments derived from the Notes are made or who receive such payments (or who would be entitled to receive such payments if they were made), persons who effect or are a party to transactions relating to the Notes on behalf of others and certain registrars or administrators. Accordingly, in order to enable these requirements to be met, holders of the Notes may be required to provide information to the Issuer or to other persons. In certain circumstances, the information obtained by HMRC may be exchanged with tax authorities in other countries.

The Proposed Financial Transactions Tax

The European Commission has published a proposal (the “Commission’s Proposal”) for a Directive for a common financial transactions tax (“FTT”) in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovenia, Slovakia and Spain (the “participating Member States”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes in certain circumstances.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT remains subject to negotiation between the participating Member States and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the participating Member States may decide to withdraw.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

INDEPENDENT ACCOUNTANTS

The Bank's consolidated financial statements as of 31st December, 2015 and 2016 and for the years ended 31st December, 2014, 2015 and 2016 included in the 2016 Annual Report on Form 20-F incorporated by reference herein have been audited by Deloitte Anjin LLC, independent auditors, as stated in their report appearing therein, which report expresses an unqualified opinion.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated programme agreement dated 25th August, 2006 as supplemented by supplements to the amended and restated programme agreement dated as of 1st November, 2007, 5th November, 2008, 28th October, 2009 and 10th November, 2010, 14th May, 2013, 9th April, 2014 and 13th May, 2016 (as amended and/or supplemented from time to time, the “Programme Agreement”), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “Form of the Notes” and “Terms and Conditions of the Notes.” In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may to the extent permitted by applicable laws and regulations engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes for a limited period after the issue date. Specifically such persons may overalloc or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

Certain Relationships

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer and its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and its affiliates in the ordinary course of their business. The Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Dealers or their respective affiliates may purchase Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to Notes and/or other securities of the Issuer or its subsidiaries or associates, at the same time as the offer and sale of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Notes).

Transfer Restrictions

To the extent required by the applicable laws and regulations of Korea, until the expiration of one year after the issuance of any Notes, such Notes may not be transferred to any “Korean resident” (as defined under the Foreign Exchange Transaction Law of Korea and the regulations thereunder) except as otherwise permitted by applicable Korean laws and regulations, and the Notes will bear a legend to the following effect:

“THIS NOTE HAS NOT BEEN REGISTERED UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA, AND, ACCORDINGLY, THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY KOREAN RESIDENT EXCEPT AS OTHERWISE PERMITTED BY APPLICABLE KOREAN LAW AND REGULATIONS (INCLUDING THE SALE OF THE NOTES TO PROFESSIONAL INVESTORS IN THE PRIMARY MARKET IF (A) THE AMOUNT OF THE NOTES ACQUIRED BY PROFESSIONAL INVESTORS IN THE PRIMARY MARKET IS LIMITED TO 20 PER CENT. OR LESS OF THE AGGREGATE ISSUE AMOUNT OF THE NOTES AND (B) THE NOTES HAVE BEEN (I) LISTED IN ONE OF THE MAJOR MARKETS DESIGNATED BY THE FINANCIAL SUPERVISORY SERVICE OR (II) REGISTERED WITH OR REPORTED TO A FINANCIAL SUPERVISORY AUTHORITY LOCATED IN ONE OF SUCH MAJOR MARKETS OR (III) OFFERED THROUGH SUCH PROCEDURES AS MAY BE CONSIDERED A PUBLIC OFFERING). IN ADDITION, UNTIL THE EXPIRATION OF ONE YEAR AFTER THE ISSUANCE OF ANY NOTES, SUCH NOTES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA EXCEPT AS OTHERWISE PERMITTED BY APPLICABLE KOREAN LAW AND REGULATIONS (INCLUDING THE SALE OF THE NOTES TO THE PROFESSIONAL INVESTORS IN THE SECONDARY MARKET IF THE NOTES HAVE BEEN (A) LISTED IN ONE OF THE MAJOR MARKETS DESIGNATED BY THE FINANCIAL SUPERVISORY SERVICE OR (B) REGISTERED WITH OR REPORTED TO A FINANCIAL SUPERVISORY AUTHORITY LOCATED IN ONE OF SUCH MAJOR MARKETS OR (C) OFFERED THROUGH SUCH PROCEDURES AS MAY BE CONSIDERED A PUBLIC OFFERING). AS USED HEREIN, THE TERM “KOREAN RESIDENT” HAS THE MEANING GIVEN TO IT BY THE FOREIGN EXCHANGE TRANSACTION LAW OF KOREA AND THE REGULATIONS THEREUNDER AND THE TERM “PROFESSIONAL INVESTORS” HAS THE MEANING GIVEN TO IT BY THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA AND ITS ENFORCEMENT DECREE.”

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or *vice versa*, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (a) that either: (i) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (ii) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter or (iii) it is outside the United States and is not a U.S. person;
- (b) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (c) that, unless it holds an interest in a Regulation S Global Note and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (i) to the Issuer or any affiliate thereof, (ii) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in compliance with Rule 903 or Rule 904 under the Securities

Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. state securities laws;

- (d) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (c) above, if then applicable;
- (e) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (f) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

”THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT (I) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (II) IT IS AN INSTITUTIONAL “ACCREDITED INVESTOR” (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN “INSTITUTIONAL ACCREDITED INVESTOR”); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (I) TO THE ISSUER OR ANY AFFILIATE THEREOF, (II) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (III) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (IV) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY

ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”;

- (g) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (i)(A) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (B) to a QIB in compliance with Rule 144A and (ii) in accordance with all applicable U.S. state securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.”; and

- (h) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by Regulation D of the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form, see “Form of the Notes.”

The IAI Investment Letter will state, among other things, the following:

- (a) that the Institutional Accredited Investor has received a copy of the Offering Circular and such other information as it deems necessary in order to make its investment decision;
- (b) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in the Offering Circular and the Notes (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;
- (c) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;

- (d) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;
- (e) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and
- (f) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.\$250,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.\$100,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors, U.S.\$250,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$100,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.\$250,000 (or its foreign currency equivalent) principal amount of Registered Notes.

Selling Restrictions

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S ("Regulation S Notes"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it will not offer, sell or deliver such Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes that may be purchased by a QIB pursuant to Rule 144A is U.S.\$100,000 (or the approximate equivalent thereof in any other currency). To the extent that the Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

European Economic Area

From 1st January, 2018, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the EEA. For the purposes of this provision: (a) the expression “retail investor” means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive (as defined below); and (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Prior to 1st January, 2018, in relation to each Relevant Member State, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular, as completed by the final terms in relation thereto, to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “Non-exempt Offer”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

- (c) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

The European Economic Area selling restriction described above is in addition to any other applicable selling restriction set out below.

United Kingdom

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

- (a) in relation to any Notes having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the Issuer; and
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

France

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

- (a) no prospectus (including any amendment, supplement or replacement thereto) has been prepared in connection with the offering of the Notes that has been approved by the Autorité des marchés financiers or by the competent authority of another State that is a contracting party to the Agreement on the European Economic Area and notified to the Autorité des marchés financiers;

- (b) no Notes have been offered or sold nor will be offered or sold, directly or indirectly, to the public in France; and
- (c) the prospectus or any other offering material relating to the Notes have not been distributed or caused to be distributed and will not be distributed or caused to be distributed to the public in France; such offers, sales and distributions have been and shall only be made in France to persons licensed to provide the investment service of portfolio management for the account of third parties, qualified investors (*investisseurs qualifiés*) and/or a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in Articles L. 411-2, D. 411-1, D. 411-2, D. 411-4, D. 734-1, D.744-1, D. 754-1 and D. 764-1 of the *Code monétaire et financier*.

The direct or indirect distribution to the public in France of any so acquired Notes may be made only as provided by Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the *Code monétaire et financier* and applicable regulations thereunder.

The Kingdom of the Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that in relation to Notes that have a maturity of less than 12 months, they will either (i) have a minimum denomination of €50,000, or (ii) be offered solely to professional market parties (*professionele marktpartijen*) within the meaning of the Dutch Act on Financial Supervision (*Wet op het financieel toezicht*) and the rules promulgated thereunder.

Zero Coupon Notes in bearer form on which interest does not become due and payable during their term but only at maturity and other Notes in bearer form that qualify as savings certificates (*spaarbewijzen*) within the meaning of the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) may be transferred or accepted only through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. and with due observance of the Dutch Savings Certificates Act and its implementing regulations, provided that no such mediation is required in respect of (i) the initial issue of such Notes to the first holders thereof, (ii) any transfer and delivery by natural persons who do not act in the conduct of a profession or trade, and (iii) the issue and trading of such Notes, if such Notes are physically issued outside the Netherlands and not distributed in the Netherlands in the course of primary trading or immediately thereafter. In addition (i) certain identification requirements in relation to the issue and transfer of, and payment on, such Notes have to be complied with, (ii) any reference in publications concerning such Notes to the words “to bearer” is prohibited, (iii) so long as such Notes are not listed at Euronext Amsterdam N.V., each transaction involving a transfer of such Notes must be recorded in a transaction note, containing, at least, the name and address of the counterparty to the transaction, the nature of the transaction, and a description of the amount, registration number(s), and type of the Notes concerned, and (iv) the requirement described under (iii) must be printed on such Notes.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia) in relation to the Notes has been lodged with the Australian Securities and Investments Commission (“ASIC”). Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it:

- (a) has not offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of Notes in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, any draft, preliminary or definitive offering memorandum, advertisement or other offering material relating to the Notes in Australia.

Unless (1) the aggregate consideration payable by each offeree or invitee is at least AUD500,000 (or its equivalent in other currencies, but disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporation Act, (2) such action complies with all applicable laws, regulations and directives, and (3) does not require any document to be lodged with ASIC.

Japan

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) (the “FIEA”). Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

- (a) it has not offered or sold, and will not offer or sell, in Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong”), by means of any document, any Notes (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) other than (i) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance of Hong Kong and any rules made under that Ordinance.

PRC

Each Dealer has represented and agreed that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macao Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Singapore

Each Dealer has acknowledged and each further Dealer appointed under the Programme will be required to acknowledge that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell the Notes or cause the Notes to be made the subject of an invitation

for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Korea

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that Notes have not been and will not be offered, delivered or sold directly or indirectly in Korea or to any resident of Korea (as defined under the Foreign Exchange Transaction Law of Korea and the regulations thereunder) or to others for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea, except as otherwise permitted under the applicable laws of and regulations of Korea (including the sale of the Notes to professional investors (as such term is defined under the Financial Investment Services and Capital Market Act of Korea and its enforcement decree) in the primary market if (a) the amount of the Notes acquired by professional investors in the primary market is limited to 20 per cent. or less of the aggregate issue amount of the Notes and (b) the Notes have been (i) listed in one of the major markets designated by the Financial Supervisory Service or (ii) registered with or reported to a financial supervisory authority located in one of such major markets or (iii) offered through such procedures as may be considered a public offering). In addition, to the extent required by the applicable laws and regulations of Korea, until the expiration of one year after the issuance of any Notes, such Notes may not be transferred to any resident of Korea, except as otherwise permitted under the applicable laws of and regulations of Korea (including the sale of the Notes to professional investors in the secondary

market if the Notes have been (a) listed in one of the major markets designated by the Financial Supervisory Service or (b) registered with or reported to a financial supervisory authority located in one of such major markets or (c) offered through such procedures as may be considered a public offering).

Each Dealer has undertaken, and each further Dealer appointed under the Programme will be required to undertake, to ensure that any securities dealer to which it sells Notes confirms that it is purchasing such Notes as principal and agrees with such Dealer that it will comply with the restrictions described above.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Dealer shall have any responsibility therefor.

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Dealer or any affiliate of any Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear, Clearstream, Luxembourg or the CMU Service (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “Rules”), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (“DTC Notes”) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (“Owners”) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "Subscription and Sale and Transfer and Selling Restrictions."

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other. Euroclear and Clearstream, Luxembourg

customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

CMU Service

The CMU Service is a central depository service provided by the Central Moneymarkets Unit of the Hong Kong Monetary Authority (the “HKMA”) for the safe custody and electronic trading between the members of this service (the “CMU Members”) of capital markets instruments (the “CMU Instruments”) which are specified in the CMU Service Reference Manual as capable of being held within the CMU Service. CMU Instruments may be denominated in Hong Kong dollars or other currencies.

The CMU Service is only available for CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU Service is open to all members of the Hong Kong Capital Markets Association and “authorised institutions” under the Banking Ordinance (Cap. 155 of the Laws of Hong Kong).

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European clearing systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The lodging CMU Member will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any CMU Notes will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU Service.

Book-entry Ownership of and Payments in respect of DTC Notes

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by

it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC are the responsibility of the Issuer.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear, Clearstream, Luxembourg and/or the CMU Service will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "Subscription and Sale and Transfer and Selling Restrictions," cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian ("Custodian") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg, Euroclear and the CMU Service have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg, Euroclear and the CMU Service. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg, Euroclear or the CMU Service or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

GENERAL INFORMATION

Authorisation and Regulatory Issues

The establishment of the Programme and the issue of Notes hereunder has been duly authorised by a resolution of the Board of Directors of the Issuer dated 21st May, 1999.

The Issuer is required to file a report of the establishment of the Programme with the Minister of Strategy and Finance in Korea under the Foreign Exchange Transactions Act. This report was filed on 16th June, 1999. A report will also be required for each tranche of Notes issued in an amount exceeding U.S.\$50 million and having a maturity exceeding one year. Moreover, an additional report will be required in the event that the Notes of any tranche are redenominated.

No other Government approval is necessary for the subscription and issue of any Notes in Korea or for their sale and purchase in the secondary market outside Korea.

Listing of Notes on the Singapore Stock Exchange

Approval in-principle has been received from the Singapore Stock Exchange in connection with the Programme and application will be made for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed, at or prior to the time of the issue thereof, to be so listed on the Singapore Stock Exchange. Such permission will be granted when such Notes have been admitted for listing and quotation on the Singapore Stock Exchange. For so long as any Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, such Notes will be traded on the Singapore Stock Exchange in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies).

Documents Available

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available free of charge from the registered office of the Issuer and from the principal office of the Principal Paying Agent for the time being in London.

- (i) the constitutional documents (with an English translation thereof) of the Issuer;
- (ii) the consolidated audited financial statements of the Issuer and its consolidated subsidiaries, prepared in accordance with IFRS as issued by the IASB, in respect of the years ended 31st December, 2014, 2015 and 2016 (in English);
- (iii) the most recently published audited annual consolidated financial statements of the Issuer and the most recently published unaudited interim financial statements (if any) of the Issuer (the Issuer currently prepares unaudited non-consolidated and consolidated interim accounts in accordance with International Financial Reporting Standards as adopted by Korea on quarterly and semi-annual bases);
- (iv) the Programme Agreement, the Agency Agreement, the Deed Poll, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (v) a copy of this Offering Circular;
- (vi) a copy of the 2016 Annual Report on Form 20-F; and
- (vii) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

Significant or Material Change

Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group since 31st December, 2016, and there has been no material adverse change in the financial position or prospects of the Issuer since 31st December, 2016.

Litigation

Except as disclosed elsewhere in this Offering Circular, the Issuer is not involved in any legal, arbitration, administrative or other proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Issuer.

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