

WOORI FINANCE HOLDINGS CO LTD

Form 20-F

April 30, 2014

Table of Contents

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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013

OR

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

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report

For the transition period from to

Commission file number 001-31811

Woori Finance Holdings Co., Ltd.

(Exact name of Registrant as specified in its charter)

Woori Finance Holdings Co., Ltd.

(Translation of Registrant's name into English)

The Republic of Korea

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

Kwansic Lee

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

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

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

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

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

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

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

None

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

None

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

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

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

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

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

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

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

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

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

Large accelerated filer

Accelerated Filer

Non-accelerated filer

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

U.S. GAAP

International Financial Reporting Standards as issued
by the International Accounting Standards Board

Other

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

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

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

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

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

Table of Contents**TABLE OF CONTENTS**

	Page
<u>Presentation of Financial and Other Information</u>	1
<u>Forward-Looking Statements</u>	3
Item 1. <u>Identity of Directors, Senior Management and Advisers</u>	4
Item 2. <u>Offer Statistics and Expected Timetable</u>	4
Item 3. <u>Key Information</u>	4
Item 3A. <u>Selected Financial Data</u>	4
Item 3B. <u>Capitalization and Indebtedness</u>	11
Item 3C. <u>Reasons for the Offer and Use of Proceeds</u>	11
Item 3D. <u>Risk Factors</u>	11
Item 4. <u>Information on the Company</u>	37
Item 4A. <u>History and Development of the Company</u>	37
Item 4B. <u>Business Overview</u>	45
Item 4C. <u>Organizational Structure</u>	127
Item 4D. <u>Property, Plants and Equipment</u>	128
Item 4.A. <u>Unresolved Staff Comments</u>	129
Item 5. <u>Operating and Financial Review and Prospects</u>	129
Item 5A. <u>Operating Results</u>	129
Item 5B. <u>Liquidity and Capital Resources</u>	160
Item 5C. <u>Research and Development, Patents and Licenses, etc.</u>	167
Item 5D. <u>Trend Information</u>	167
Item 5E. <u>Off-Balance Sheet Arrangements</u>	167
Item 5F. <u>Tabular Disclosure of Contractual Obligations</u>	167
Item 5G. <u>Safe Harbor</u>	167
Item 6. <u>Directors, Senior Management and Employees</u>	167
Item 6A. <u>Directors and Senior Management</u>	167
Item 6B. <u>Compensation</u>	169
Item 6C. <u>Board Practices</u>	170
Item 6D. <u>Employees</u>	172
Item 6E. <u>Share Ownership</u>	174
Item 7. <u>Major Stockholders and Related Party Transactions</u>	174
Item 7A. <u>Major Stockholders</u>	174
Item 7B. <u>Related Party Transactions</u>	174
Item 7C. <u>Interest of Experts and Counsel</u>	175
Item 8. <u>Financial Information</u>	175
Item 8A. <u>Consolidated Statements and Other Financial Information</u>	175
Item 8B. <u>Significant Changes</u>	178
Item 9. <u>The Offer and Listing</u>	178
Item 9A. <u>Offering and Listing Details</u>	178
Item 9B. <u>Plan of Distribution</u>	179
Item 9C. <u>Markets</u>	179
Item 9D. <u>Selling Shareholders</u>	186
Item 9E. <u>Dilution</u>	186
Item 9F. <u>Expenses of the Issuer</u>	187
Item 10. <u>Additional Information</u>	187
Item 10A. <u>Share Capital</u>	187
Item 10B. <u>Memorandum and Articles of Association</u>	187
Item 10C. <u>Material Contracts</u>	193
Item 10D. <u>Exchange Controls</u>	193
Item 10E. <u>Taxation</u>	194

Table of Contents

	Page
Item 10F. <u>Dividends and Paying Agents</u>	199
Item 10G. <u>Statements by Experts</u>	199
Item 10H. <u>Documents on Display</u>	199
Item 10I. <u>Subsidiary Information</u>	199
Item 11. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	200
Item 12. <u>Description of Securities other than Equity Securities</u>	224
Item 13. <u>Defaults, Dividend Arrearages and Delinquencies</u>	225
Item 14. <u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	225
Item 15. <u>Controls and Procedures</u>	225
Item 16. <u>Reserved</u>	226
Item 16A. <u>Audit Committee Financial Expert</u>	226
Item 16B. <u>Code of Ethics</u>	226
Item 16C. <u>Principal Accountant Fees and Services</u>	226
Item 16D. <u>Exemptions from the Listing Standards for Audit Committees</u>	227
Item 16E. <u>Purchase of Equity Securities by the Issuer and Affiliated Purchasers</u>	227
Item 16F. <u>Change in Registrant's Certifying Accountant</u>	227
Item 16G. <u>Corporate Governance</u>	228
Item 16H. <u>Mine Safety Disclosure</u>	229
Item 17. <u>Financial Statements</u>	229
Item 18. <u>Financial Statements</u>	229
Item 19. <u>Exhibits</u>	230

Table of Contents

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

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

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

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

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

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

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

See Item 5A. Operating Results Overview Acquisitions.

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

Table of Contents

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

In this annual report:

references to we, us or Woori Finance Holdings are to Woori Finance Holdings Co., Ltd. and, unless the context otherwise requires, its subsidiaries (excluding discontinued operations);

references to Korea are to the Republic of Korea;

references to the government are to the government of the Republic of Korea;

references to Won or are to the currency of Korea; and

references to U.S. dollars, \$ or US\$ are to United States dollars.

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

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

Table of Contents

FORWARD-LOOKING STATEMENTS

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

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

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

a change or delay in, or cancellation of, the Korean government's privatization plan with respect to us and our subsidiaries;

our ability to successfully implement our strategy;

future levels of non-performing loans;

our growth and expansion;

the adequacy of allowances for credit and other losses;

technological changes;

interest rates;

investment income;

availability of funding and liquidity;

our exposure to market risks; and

adverse market and regulatory conditions.

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

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

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

general economic and political conditions in Korea or other countries that have an impact on our business activities or investments;

the monetary and interest rate policies of Korea;

inflation or deflation;

unanticipated volatility in interest rates;

Table of Contents

foreign exchange rates;

prices and yields of equity and debt securities;

the performance of the financial markets in Korea and globally;

changes in domestic and foreign laws, regulations and taxes;

changes in competition and the pricing environment in Korea; and

regional or general changes in asset valuations.

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

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

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS
Not Applicable

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE
Not Applicable

Item 3. KEY INFORMATION

Item 3A. *Selected Financial Data*

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

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

The Korean government, which currently owns 56.97% of our outstanding common stock through the KDIC, is in the process of implementing a privatization plan with respect to us and our subsidiaries. As a result, Kwangju Bank, Kyongnam Bank, Woori Investment & Securities, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I have been classified as a disposal group held for distribution or sale in our consolidated statement of financial position as of December 31, 2013 (but not as of prior dates) and

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

have been accounted for as discontinued operations in our consolidated statements of comprehensive income for the years ended December 31, 2010, 2011, 2012 and 2013. See Item 4A. History and Development of the Company Privatization Plan.

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

Table of Contents**Consolidated Statement of Comprehensive Income Data**

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

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

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

- (1) The amounts for 2010, 2011, 2012 and 2013 reflect the classification of certain subsidiaries as discontinued operations.
- (2) The amounts for 2013 reflect a change in our accounting policies pursuant to an amendment to International Accounting Standards, or IAS 19, Employee Benefits, which is effective beginning in 2013. Corresponding amounts for 2012 and 2011 (but not for 2010) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.
- (3) The amounts for 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts for 2012 (but not for 2011 or 2010) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.
- (4) Won amounts are expressed in U.S. dollars at the rate of 1,055.3 to US\$1.00, the noon buying rate in effect on December 31, 2013 as quoted by the Federal Reserve Bank of New York in the United States.
- (5) For a description of other net operating expenses, see Note 39 of the notes to our consolidated financial statements.

Table of Contents**Consolidated Statement of Financial Position Data**

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

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

Table of Contents

- (2) The amounts as of December 31, 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts as of December 31, 2012 (but not as of December 31, 2011 or 2010) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.
- (3) The amounts as of December 31, 2013 reflect the classification of certain subsidiaries as a disposal group held for distribution or sale.
- (4) Won amounts are expressed in U.S. dollars at the rate of 1,055.3 to US\$1.00, the noon buying rate in effect on December 31, 2013 as quoted by the Federal Reserve Bank of New York in the United States.
- (5) For a description of other assets, see Note 18 of the notes to our consolidated financial statements.
- (6) For a description of other financial liabilities, see Note 24 of the notes to our consolidated financial statements.
- (7) For a description of other liabilities, see Note 24 of the notes to our consolidated financial statements.
- (8) For a description of other equity, see Note 29 of the notes to our consolidated financial statements.

Profitability Ratios and Other Data

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

- (1) The amounts for 2010, 2011, 2012 and 2013 reflect the classification of certain subsidiaries as discontinued operations.
- (2) The amounts for 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts for 2012 (but not for 2011 or 2010) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.
- (3) Represents net income attributable to owners as a percentage of average total assets. Average balances are based on daily balances for Woori Bank and on quarterly balances for all of our other subsidiaries and our structured companies.
- (4) Represents net income attributable to owners as a percentage of average equity. Average balances are based on daily balances for Woori Bank and on quarterly balances for all of our other subsidiaries and our structured companies.
- (5) Represents the difference between the yield on average interest-earning assets and cost of average interest-bearing liabilities.
- (6) Represents the ratio of net interest income to average interest-earning assets.
- (7) Represents the ratio of non-interest expense (excluding impairment losses on credit loss) to the sum of net interest income and non-interest income.
- (8) Represents the sum of interest income, dividend income, fees and commissions income, net gain (loss) on financial assets at fair value through profit or loss, net gain on available-for-sale financial assets and net gain on held-to-maturity financial assets.

The following table shows how total revenue is calculated:

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

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

Table of Contents

- (b) The amounts for 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts for 2012 (but not for 2011 or 2010) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.
- (9) Represents interest expense, fees and commissions expense and other net operating expense, excluding impairment losses on credit loss of 2,506 billion, 1,923 billion, 1,799 billion and 2,277 billion for 2010, 2011, 2012 and 2013, respectively.
- The following table shows how operating expense is calculated:

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

- (a) The amounts for 2010, 2011, 2012 and 2013 reflect the classification of certain subsidiaries as discontinued operations.
- (b) The amounts for 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts for 2012 (but not for 2011 or 2010) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.
- (c) The amount for 2013 reflects a change in our accounting policies pursuant to an amendment to IAS 19, Employee Benefits, which is effective beginning in 2013. Corresponding amounts for 2012 and 2011 (but not for 2010) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.
- ⁽¹⁰⁾ Represents total revenue less operating expense.

Asset Quality Data

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

- (1) The amounts as of December 31, 2013 reflect a change in our accounting policies pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013. Pursuant to IFRS 10, corresponding amounts as of December 31, 2012 (but not as of December 31, 2011 or 2010) have been restated to retroactively apply such change. See Item 5A. Operating Results Overview Changes in Accounting Policies.
- (2) The amounts as of December 31, 2013 reflect the classification of certain subsidiaries as a disposal group held for distribution or sale.
- (3) Not including due from banks and other receivables, and prior to deducting allowance for credit losses and present value discount or reflecting deferred origination costs.
- (4) Defined as those loans that are past due by 90 days or more or classified as substandard or below based on the Financial Services Commission's asset classification criteria. See Item 4B. Business Overview Assets and Liabilities Asset Quality of Loans Loan Classifications.
- (5) Other impaired loans as of December 31, 2010, 2011 and 2012 exclude loans that would otherwise have been considered impaired but were securitized and were held by Woori F&I, our wholly-owned subsidiary, in the aggregate amount of 664 billion, 980 billion and 1,207 billion as of December 31, 2010, 2011 and 2012, respectively.

Table of Contents**Selected Financial Information****Average Balances and Related Interest**

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

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

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

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

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

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

Table of Contents

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

Analysis of Changes in Net Interest Income Volume and Rate Analysis

The following table provides an analysis of changes in interest income, interest expense and net interest income (in each case excluding discontinued operations) based on changes in volume and changes in rate for 2012 compared to 2011 and 2013 compared to 2012. Information is provided with respect to: (1) effects attributable to changes in volume (changes in volume multiplied by prior rate) and (2) effects attributable to changes in rate (changes in rate multiplied by prior volume). Changes attributable to the combined impact of changes in rate and volume have been allocated proportionately to the changes due to volume changes and changes due to rate changes.

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

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

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

Table of Contents

(3) Includes home equity loans.

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

Exchange Rates

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

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

Source: Federal Reserve Bank of New York

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

Item 3B. Capitalization and Indebtedness

Not Applicable

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

Not Applicable

Item 3D. Risk Factors

Risks relating to our corporate credit portfolio

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

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

Table of Contents

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

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

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

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

Financial difficulties experienced by small- and medium-sized enterprises as a result of, among other things, adverse economic conditions in Korea and globally, as well as aggressive marketing and intense competition

Table of Contents

among banks to lend to this segment in recent years, have led to a deterioration in the asset quality of our loans to this segment in the past and such factors may lead to a deterioration of asset quality in the future. Any such deterioration would result in increased charge-offs and higher provisioning and reduced interest and fee income from this segment, which would have an adverse impact on our financial condition and results of operations.

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

Risks relating to our consumer credit portfolio

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

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

The growth in our consumer loan portfolio in recent years, together with adverse economic conditions in Korea and globally, may lead to increasing delinquencies and a deterioration in asset quality. The amount of our consumer loans classified as substandard or below was 396 billion (or 0.5% of our consumer loan portfolio) as of December 31, 2011, 441 billion (or 0.6% of our consumer loan portfolio) as of December 31, 2012 and 454 billion (excluding discontinued operations) (or 0.6% of our consumer loan portfolio) as of December 31, 2013. We charged off consumer loans amounting to 180 billion in 2013, as compared to 190 billion in 2012.

Table of Contents

and 89 billion in 2011, and recorded provisions for credit loss in respect of consumer loans of 238 billion in 2013, as compared to 242 billion in 2012 and 158 billion in 2011. Within our consumer loan portfolio, the outstanding balance of general purpose household loans, which, unlike mortgage or home equity loans, are often unsecured and therefore tend to carry a higher credit risk, amounted to 27,935 billion, or 28.7% of our total outstanding consumer loans, as of December 31, 2011, 22,785 billion, or 28.9% of our total outstanding consumer loans, as of December 31, 2012 and 20,673 billion (excluding discontinued operations), or 29.1% of our total outstanding consumer loans, as of December 31, 2013.

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

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

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

Table of Contents

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

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

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

Risks relating to our financial holding company structure and strategy

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

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

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

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

Table of Contents

interest in Woori Investment & Securities, 51.6% ownership interest in Woori Aviva Life Insurance and 100% ownership interest in Woori FG Savings Bank to NongHyup Financial Group Inc. in April 2014. See Item 4A. History and Development of the Company Privatization Plan Disposal of Woori Financial, Woori Asset Management, Woori F&I, Woori Investment & Securities, Woori Aviva Life Insurance and Woori FG Savings Bank.

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

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

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

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

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

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

we may lack required capital resources;

Table of Contents

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

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

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

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

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

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

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

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

The continued implementation of our reorganization and expansion plans, as well as any future integration plans that we may adopt in connection with our mergers or acquisitions or otherwise, and the realization of the anticipated benefits of our current financial holding company structure and any mergers or acquisitions we decide to pursue may be blocked, delayed or reduced as a result of many factors, some of which may be outside our control. These factors include:

difficulties in integrating the diverse activities and operations of our subsidiaries or any companies we may merge with or acquire, including risk management operations and information technology systems, personnel, policies and procedures;

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

Table of Contents

restrictions under the Financial Holding Company Act, the Financial Investment Services and Capital Markets Act and other regulations on transactions between our company and, or among, our subsidiaries;

unexpected business disruptions;

loss of customers; and

labor unrest.

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

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

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

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

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

In the case of dividend distributions, this depends on the financial condition and operating results of our subsidiaries. In the future, our subsidiaries may enter into agreements, such as credit agreements with lenders or indentures relating to high-yield or subordinated debt instruments, that impose restrictions on their ability to make distributions to us, and the terms of future obligations and the operation of Korean law could prevent our subsidiaries from making sufficient distributions to us to allow us to make payments on our outstanding obligations. See

As a holding company, we depend on receiving dividends from our subsidiaries to pay dividends on our common stock. Any delay in receipt of or shortfall in payments to us from our subsidiaries could result in our inability to meet our liquidity needs and regulatory requirements, including minimum liquidity and capital adequacy ratios, and may disrupt our operations at the holding company level.

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

Table of Contents

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

To the extent we remain a financial holding company, our principal assets will be the shares of our subsidiaries, and our ability to pay dividends on our common stock will largely depend on dividend payments from those subsidiaries. Those dividend payments are subject to the Korean Commercial Code, the Bank Act and regulatory limitations, generally based on capital levels and retained earnings, imposed by the various regulatory agencies with authority over those entities. The ability of Woori Bank to pay dividends is subject to regulatory restrictions to the extent that paying dividends would impair its nonconsolidated profitability, financial condition or other cash flow needs. For example:

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

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

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

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

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

Risks relating to competition

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

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

In addition, we believe that regulatory reforms and the general modernization of business practices in Korea will lead to increased competition among financial institutions in Korea. We also believe that foreign financial institutions, many of which have greater experience and resources than we do, will seek to compete with us in providing financial products and services either by themselves or in partnership with existing Korean financial

Table of Contents

institutions. Furthermore, a number of significant mergers and acquisitions in the industry have taken place in Korea over the past decade, including the acquisition of Koram Bank by an affiliate of Citibank in 2004, the acquisition of Korea First Bank by Standard Chartered Bank in April 2005, Chohung Bank's merger with Shinhan Bank in April 2006 and Hana Financial Group's acquisition of a controlling interest in Korea Exchange Bank in February 2012. We expect that consolidation in the financial industry will continue, including as a result of the implementation of the Korean government's privatization plan with respect to us and our subsidiaries. Other financial institutions may seek to acquire or merge with other entities, and the financial institutions resulting from this consolidation may, by virtue of their increased size and business scope, provide significantly greater competition for us. Increased competition and continuing consolidation may lead to decreased margins, resulting in a material adverse impact on our future profitability. Accordingly, our results of operations and financial condition may suffer as a result of increasing competition in the Korean financial industry.

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

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

Other risks relating to our business***Difficult conditions in the global financial markets could adversely affect our results of operations and financial condition.***

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

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

Table of Contents***Our risk management system may not be effective in mitigating risk and loss.***

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

Most financial institutions in Korea, including our subsidiaries, have experienced periods of labor unrest. As part of our reorganization and expansion plans, we have transferred or merged some of the businesses operations of our subsidiaries into one or more entities and implemented other forms of corporate and operational restructuring. Furthermore, the Korean government's privatization plan with respect to us and our subsidiaries contemplates significant corporate and organizational changes, including dispositions and mergers. See Risks relating to our financial holding company structure and strategy The implementation of the Korean government's privatization plan may have an adverse effect on us and your interests as a shareholder. We may also decide to implement other organizational or operational changes, as well as acquisitions or dispositions, in

Table of Contents

the future. Such efforts have in the past been met with significant opposition from labor unions in Korea. Actual or threatened labor disputes may in the future disrupt the reorganization process and our business operations, which in turn may hurt our financial condition and results of operations.

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

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

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

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

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

Table of Contents

Tier I common equity capital (which principally includes equity capital, capital surplus and retained earnings less reserve for credit losses) to risk-weighted assets of 3.5% and Tier I capital to risk-weighted assets of 4.5% from December 1, 2013, which minimum ratios increased to 4.0% and 5.5%, respectively, from January 1, 2014 and will increase further to 4.5% and 6.0%, respectively, from January 1, 2015. Such requirements are in addition to the pre-existing requirement for a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets of 8.0%, which remains unchanged. The amended regulations also contemplate an additional capital conservation buffer of 0.625% starting in 2016, with such buffer to increase in stages to 2.5% by 2019. The implementation of Basel III in Korea may have a significant effect on the capital requirements of Korean financial institutions, including us. See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Financial Holding Companies Capital Adequacy and Principal Regulations Applicable to Banks Capital Adequacy.

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

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

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

In addition to the OFAC sanctions described above, the United States maintains programs under, among others, the Iran Sanctions Act, the Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010, or CISADA, the National Defense Authorization Act for Fiscal Year 2012, or the NDAA, the Iran Threat Reduction and Syria Human Rights Act of 2012, or ITRA, various Executive Orders, and the Iran Freedom and Counter-Proliferation Act of 2012, or IFCA, (which we refer to collectively as the indirect U.S. sanctions), that provide authority for the imposition of U.S. sanctions on foreign parties that provide services (including banking services and financing) in support of certain Iranian activities in the energy, shipping and military sectors, among others. A range of sanctions may be imposed on companies that engage in sanctionable activities, including among other things the blocking of any property subject to U.S. jurisdiction in which the sanctioned company has an interest, which could include a prohibition on transactions or dealings involving securities of the sanctioned company pursuant to CISADA. The indirect U.S. sanctions also target foreign financial institutions that, among other things: (i) facilitate significant transactions with, or provide significant financial services to, U.S.-sanctioned Iranian persons designated in connection with terrorism or weapons of mass destruction, or linked to the Iranian Revolutionary Guard Corps; (ii) facilitate the activities of a person subject to United Nations sanctions against Iran (or any person acting on behalf of, or owned or controlled by, such a person); (iii) knowingly facilitate

Table of Contents

transactions connected to Iranian terrorism or weapons of mass destruction activities; or (iv) knowingly conduct or facilitate significant financial transactions for the purchase of petrochemical products from Iran. Financial institutions engaging in targeted activity could be sanctioned by termination or restriction of their ability to maintain correspondent accounts in the United States, or correspondent account transactions. The imposition of sanctions against foreign financial institutions pursuant to the indirect U.S. sanctions is not automatic, requiring further action by the U.S. administration.

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

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

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

Table of Contents

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

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

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

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

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

Table of Contents

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

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

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

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

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

Investors may also be adversely affected if we are sanctioned pursuant to the indirect U.S. sanctions or OFAC sanctions (or otherwise), resulting in their investment in our securities being restricted. If we are

Table of Contents

sanctioned under the indirect U.S. sanctions relating to transactions with Iran's energy, shipping and military sectors, such sanctions could include, among other things, the blocking of any property in which we have an interest, which would effectively prohibit all U.S. persons from receiving any payments from us, including payments on our securities and from selling our securities.

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

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

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

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

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

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

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

Risks relating to government control

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

The Korean government, through the KDIC, currently owns 56.97% of our outstanding common stock, although it is in the process of implementing a privatization plan with respect to us and our subsidiaries pursuant to which it intends to dispose of such common stock. See

Risks relating to our financial holding company structure and strategy The implementation of the Korean government's privatization plan may have an adverse effect on us and your interests as a shareholder. So long as the Korean government remains our controlling stockholder, it will have the ability to cause us to take actions or pursue policy objectives that may conflict with

Table of Contents

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

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

Risks relating to government regulation and policy

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

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

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

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

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

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

capital increases or reductions;

stock cancellations or consolidations;

Table of Contents

transfers of business;

sales of assets;

closures of branch offices;

mergers with other financial institutions; and

suspensions of a part or all of our business operations.

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

Risks relating to Korea

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

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

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

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

difficulties in the financial sector in Europe and elsewhere and increased sovereign default risks in select countries and the resulting adverse effects on the global financial markets;

adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar, the euro or the Japanese yen exchange rates or revaluation of the Chinese renminbi), interest rates, inflation rates or stock markets;

adverse conditions in the economies of countries and regions that are important export markets for Korea, such as the United States, Europe, Japan and China, or in emerging market economies in Asia or elsewhere;

further decreases in the market prices of Korean real estate;

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

declines in consumer confidence and a slowdown in consumer spending;

increasing levels of household debt;

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

Table of Contents

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

social and labor unrest;

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

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

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

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

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

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

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

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

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

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

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

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

changes in financial regulations in Korea.

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

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

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

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

North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted three rounds of nuclear tests from October 2006 to February 2013, which increased tensions

Table of Contents

in the region and elicited strong objections worldwide. In response, the United Nations Security Council unanimously passed resolutions that condemned North Korea for the nuclear tests and expanded sanctions against North Korea, most recently in March 2013.

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

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

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

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

Labor unrest in Korea may adversely affect our operations.

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

Risks relating to our common stock and ADSs

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

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

Table of Contents

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

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

Ownership of our common stock is restricted under Korean law.

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

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

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

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

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

Table of Contents

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

You will not have preemptive rights in some circumstances.

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

we have requested in a timely manner that those rights be made available to such holders;

the depositary has received the documents that are required to be delivered under the terms of the deposit agreement, which may include confirmation that a registration statement filed by us under the U.S. Securities Act of 1933, as amended (the Securities Act), is in effect with respect to those shares or that the offering and sale of those shares is exempt from or is not subject to the registration requirements of the Securities Act; and

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

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

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

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

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

Table of Contents

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

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

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

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

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

Other Risks

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

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

Item 4. INFORMATION ON THE COMPANY**Item 4A. History and Development of the Company Overview**

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

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

Table of Contents

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

a number of other smaller financial institutions.

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

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

History

Establishment of Woori Finance Holdings

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

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

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

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

Formation of Financial Holding Company. In January 2001, Hanvit Bank, Kwangju Bank, Kyongnam Bank, Peace Bank of Korea and Hanaro Merchant Bank agreed in principle to consolidate and become subsidiaries of a new financial holding company. In July 2001, each entity entered into a memorandum of understanding with us, and we entered into a separate memorandum of understanding with the KDIC. These memoranda of understanding along with those entered between such subsidiaries and the KDIC, which are

Table of Contents

described in more detail below, established the basis for the relationships among us, our commercial banking subsidiaries and the KDIC. These memoranda set forth, among other things, financial targets and restructuring objectives that we and our commercial banking subsidiaries were expected to satisfy in order to create a fully integrated financial services provider and to enable the KDIC to recover the public funds used to recapitalize our commercial banking subsidiaries. On March 27, 2001, the KDIC transferred all of its shares in each of Hanvit Bank, Kwangju Bank, Kyongnam Bank, Peace Bank of Korea and Hanaro Merchant Bank to our company in exchange for our newly issued shares. Accordingly, we became the sole owner of those subsidiaries. We subsequently listed our shares on the KRX KOSPI Market on June 24, 2002.

Relationship with the Korean Government

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

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

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

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

Since 2000, our commercial banking subsidiaries have periodically entered into new business normalization plans with the KDIC, with new restructuring measures and financial targets. In February and October 2010 and February 2011, the KDIC imposed institutional warnings on Woori Bank in connection with its failure to meet its financial targets with respect to operating income per employee as of September 30, 2009, return on assets and non-performing loan ratio as of June 30, 2010 and non-performing loan ratio as of September 30, 2010. In October 2010, the KDIC imposed an institutional warning on Kyongnam Bank, as well as reprimands and warnings on 10 current and former executive officers of Kyongnam Bank, in connection with certain fraudulent transactions ostensibly undertaken on behalf of Kyongnam Bank by certain employees and their potential impact on Kyongnam Bank. See Item 8A. Consolidated Statements and Other Financial Information Legal Proceedings Discontinued Operations Kyongnam Bank. In April 2011, the KDIC imposed another

Table of Contents

institutional warning on Woori Bank, as well as a warning on the former chief executive officer of Woori Bank, in connection with its failure to meet the financial targets with respect to its return on assets as of December 31, 2010. Each of Woori Bank, Kwangju Bank and Kyongnam Bank entered into new successive one-year business normalization plans with new restructuring measures and financial targets with the KDIC in March 2011 and 2012 and April 2013. Each met all of its financial targets under the plan in 2011. In April 2013, the KDIC elected not to impose any penalties on Kwangju Bank or Kyongnam Bank regarding a failure to meet its financial target for expense to revenue ratio and return on assets, respectively, in each case as of December 31, 2012, in light of the strength of their overall performance with respect to the other financial targets. While Woori Bank failed to meet its financial targets for return on assets and non-performing loan ratio as of December 31, 2013, the KDIC has yet to impose any sanctions on Woori Bank.

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

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

Reorganization and Expansion Plans

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

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

In April 2008, we acquired a 51.0% interest in LIG Life Insurance. In connection with this acquisition, we entered into a joint venture agreement with Aviva International Holdings Limited. Aviva International Holdings Limited (through its wholly-owned subsidiary Aviva Asia Holdings Private Limited), and we collectively hold a 98.9% interest in LIG Life Insurance, which was subsequently

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

renamed Woori Aviva Life Insurance. We account for Woori Aviva Life Insurance as part of our investments in joint ventures and associates.

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

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

Table of Contents

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

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

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

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

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

Privatization Plan

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

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

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

Table of Contents

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

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

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

Spin-off of Kwangju Bank and Kyongnam Bank

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

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

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

Table of Contents

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

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

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

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

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

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

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

Item 4B. Business Overview

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

Table of Contents

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

Strategy

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

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

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

Table of Contents

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

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

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

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

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

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

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

We believe that the integration of our accounting, information technology and other back-office systems allows us to further eliminate redundant functions and equipment and reduce our long-term expense. We also

Table of Contents

believe that these measures, together with our effort to encourage migration of our mass market customers to low-cost alternative channels will, reduce our costs and enhance our operating efficiencies. We are also continuing our efforts to maximize synergies among our businesses, including through increased cross-selling and marketing of a broad range of financial products and services through our financial products department stores located in Seoul.

Corporate Banking

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

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

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

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

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

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

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

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

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

Corporate loans we provide consist principally of the following:

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

working capital loans, which are loans used for general working capital purposes, typically with a maturity of one year or less, including notes discounted and trade finance; and

Table of Contents

facilities loans, which are loans to finance the purchase of materials, equipment and facilities, typically with a maturity of three years or more.

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

Small- and Medium-Sized Enterprise Banking

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

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

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

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

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

Table of Contents

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

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

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

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

Large Corporate Banking

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

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

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

Our strategy for the large corporate banking segment is to develop new products and cross-sell our existing products and services to our core base of large corporate customers. In particular, we continue to focus on

Table of Contents

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

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

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

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

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

Consumer Banking

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

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

Table of Contents**Lending Activities**

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

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

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

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

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

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

Our consumer loans consist of:

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

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

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

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

We also offer a variety of collective housing loans, including loans to purchase property or finance the construction of housing units, loans to contractors to be used for working capital purposes, and loans to educational institutions and non-profit entities to finance the construction of dormitories. Collective housing

Table of Contents

loans subject us to the risk that the housing units will not be sold. As a result, we review the probability of the sale of the housing unit when evaluating the extension of a loan. We also review the borrower's creditworthiness and the suitability of the borrower's proposed use of funds. Furthermore, we take a lien on the land on which the housing unit is to be constructed as collateral. If the collateral is not sufficient to cover the loan, we also take a guarantee from the Housing Finance Credit Guarantee Fund as security.

General Purpose Household Loans

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

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

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

Mortgage and Home Equity Lending

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

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

Table of Contents

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

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

Private Banking Operations

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

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

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

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

Deposit-Taking Activities

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

Apartment application comprehensive deposits, which are monthly installment comprehensive savings programs providing the holder with a preferential right to subscribe for new national housing units constructed under the Housing Act or privately constructed housing units. These deposits require monthly installments of 20,000 to 500,000, terminate when the holder is selected as a subscriber

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

for a housing unit and accrue interest at fixed rates depending on the term. These deposit products target all segments of the population.

The Monetary Policy Committee of the Bank of Korea imposes a reserve requirement on Won currency deposits of commercial banks based generally on the type of deposit instrument. The reserve requirement is

Table of Contents

currently up to 7%. See **Supervision and Regulation** **Principal Regulations Applicable to Banks** **Liquidity**. Ongoing regulatory reforms have removed all controls on lending rates and deposit rates (except for the prohibition on interest payments on current account deposits).

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

Branch Network and Other Distribution Channels

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

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

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

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

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

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

(1) Includes cash dispensers.

Table of Contents

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

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

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

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

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

Credit Cards

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

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

Products and Services

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

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

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

Table of Contents

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

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

cash advance services from ATMs and bank branches; and

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

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

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

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

Average outstanding balances

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

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

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

Table of Contents

- (2) Our delinquency ratios may not fully reflect all delinquent amounts relating to our outstanding balances since a certain portion of delinquent credit card balances (defined as balances one day or more past due) were restructured into loans and were not treated as being delinquent at the time of conversion or for a period of time thereafter. Including all restructured loans, outstanding balances overdue by 30 days or more accounted for 1.9% of our credit card receivables as of December 31, 2013.
- (3) Represents the ratio of balances that are more than three months overdue to total outstanding balances as of the end of the relevant year. These ratios do not include the following amounts of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary as of December 31, 2011, 2012 and 2013:

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

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

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

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

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

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

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

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

Payments and Charges

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

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

Table of Contents

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

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

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

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

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

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

Capital Markets Activities

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

Securities Investment and Trading

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

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

Table of Contents

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

held-to-maturity debt securities accounted for 12,039 billion, or 46.5%;

available-for-sale debt securities accounted for 11,856 billion, or 45.8%;

debt securities held for trading accounted for 2,002 billion, or 7.7%; and

debt securities designated at fair value through profit or loss accounted for 3 billion, or 0.01%.

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

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

equity securities in our available-for-sale portfolio had a book value of 1,615 billion, or 9.5% of our available-for-sale securities portfolio;

equity securities held for trading accounted for 196 billion, or 7.5% of our held-for-trading securities portfolio; and

equity securities designated at fair value through profit or loss accounted for 11 billion, or 80.7% of our financial assets designated at fair value through profit or loss portfolio.

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

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

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

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

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

Table of Contents

	As of December 31, 2012 ⁽¹⁾			Fair Value
	Amortized Cost	Gross Unrealized Gain (in billions of Won)	Gross Unrealized Loss	
Available-for-sale financial assets:				
Debt securities				
Korean treasury and government agencies	2,659	25	(3)	2,681
Financial institutions	6,032	19	(1)	6,050
Corporate	4,289	48	(16)	4,321
Asset-backed securities	401	2	(20)	383
Foreign currency bonds	213	0	(0)	213
Subtotal	13,594	94	(40)	13,648
Equity securities	1,692	525	(32)	2,185
Beneficiary certificates ⁽²⁾	2,842	15	(3)	2,854
Others	203		(1)	202
Total available-for-sale financial assets	18,331	634	(76)	18,889
Held-to-maturity financial assets:				
Debt securities				
Korean treasury and government agencies	7,665	176	(6)	7,835
Financial institutions	3,621	25	(0)	3,646
Corporate	7,352	136	(3)	7,485
Foreign currency bonds	36			36
Securities loaned	11	0		11
Total held-to-maturity financial assets	18,685	337	(9)	19,013
As of December 31, 2013⁽¹⁾⁽³⁾				
	Amortized Cost	Gross Unrealized Gain (in billions of Won)	Gross Unrealized Loss	Fair Value
Available-for-sale financial assets:				
Debt securities				
Korean treasury and government agencies	2,690	6	(15)	2,681
Financial institutions	6,509	4	(1)	6,512
Corporate	2,427	12	(5)	2,434
Asset-backed securities	291	7	(25)	273
Foreign currency bonds	230	0	(1)	229
Subtotal	12,147	29	(47)	12,129
Equity securities	1,380	272	(36)	1,616
Beneficiary certificates ⁽²⁾	3,007	60	(2)	3,065
Others	275	1	(1)	275
Total available-for-sale financial assets	16,809	362	(86)	17,085
Held-to-maturity financial assets:				
Debt securities				
Korean treasury and government agencies	4,729	58	(17)	4,770

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

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

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

Table of Contents

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

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

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

Derivatives Trading

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

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

interest rate swaps, options and futures, relating principally to Won interest rate risks;

index futures and options, relating to stock market fluctuations;

cross currency swaps, relating to foreign exchange risks, largely for Won against U.S. dollars;

foreign exchange forwards, swaps, options and futures, relating to foreign exchange risks;

commodity derivatives, which we provide to customers that wish to hedge their commodities exposure; and

credit derivatives, which we provide to financial institutions that wish to hedge existing credit exposures or take on credit exposure to generate revenue.

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

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

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

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

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

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

Table of Contents

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

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

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

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

Asset Securitization Services

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

Investment Banking

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

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

International Banking

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

Table of Contents

Indonesia. As of December 31, 2013, P.T. Bank Himpunan Saudara 1906 had total assets of approximately Indonesian Rupiah 8.2 trillion and shareholders' equity of Indonesian Rupiah 578 billion.

Asset Management**Trust Management Services**

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

Property trusts are not consolidated within our financial statements.

Trustee and Custodian Services Relating to Securities Investment Trusts

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

receiving payments made in respect of such securities;

executing trades in respect of such securities on behalf of the investment fund, based on instructions from the relevant investment fund management company; and

in certain cases, authenticating beneficiary certificates issued by investment trust management companies and handling settlements in respect of such beneficiary certificates.

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

Other Businesses

Management of National Housing Fund

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

Table of Contents

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

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

Bancassurance

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

Private Equity

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

Competition

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

Table of Contents

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

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

Assets and Liabilities

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

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

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

Loan Portfolio

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

Table of Contents

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

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

Loan Types

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

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

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

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

Table of Contents

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

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

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

⁽¹⁾ Includes home equity loans.

Loan Concentrations

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

Table of Contents*20 Largest Exposures by Borrower*

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

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

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

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

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

(4) Credit rating is unavailable.

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

Table of Contents*Exposure to Chaebols*

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

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

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

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

Loan Concentration by Industry

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

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

Table of Contents*Maturity Analysis*

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

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

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

(2) Including loans made to banks.

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

Table of Contents*Interest Rates*

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

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

(1) Fixed rate loans are loans for which the interest rate is fixed for the entire term.

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

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

Asset Quality of Loans

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

Loan Classifications

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

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

Asset Classification**Characteristics**

Normal

Credits extended to customers that, based on our consideration of their business, financial position and future cash flows, do not raise concerns regarding their ability to repay the credits.

Precautionary

Credits extended to customers that:

based on our consideration of their business, financial position and future cash flows, show potential risks with respect to their ability to repay the credits, although showing no immediate default risk; or

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

Table of Contents

Asset Classification
Substandard

Characteristics

Either:

credits extended to customers that, based on our consideration of their business, financial position and future cash flows, are judged to have incurred considerable default risks as their ability to repay has deteriorated; or

the portion that we expect to collect of total loans (1) extended to customers that have been in arrears for three months or more, (2) extended to customers that have incurred serious default risks due to the occurrence of, among other things, final refusal to pay their debt instruments, entry into liquidation or bankruptcy proceedings, or closure of their businesses, or (3) extended to customers who have outstanding loans that are classified as doubtful or estimated loss.

Doubtful

Credits exceeding the amount we expect to collect of total credits to customers that:

based on our consideration of their business, financial position and future cash flows, have incurred serious default risks due to noticeable deterioration in their ability to repay; or

have been in arrears for three months or more but less than twelve months.

Estimated Loss

Credits exceeding the amount we expect to collect of total credits to customers that:

based on our consideration of their business, financial position and future cash flows, are judged to have to be accounted as a loss as the inability to repay became certain due to serious deterioration in their ability to repay;

have been in arrears for twelve months or more; or

have incurred serious risks of default in repayment due to the occurrence of, among other things, final refusal to pay their debt instruments, liquidation or bankruptcy proceedings or closure of their business.

Loan Loss Provisioning Policy

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

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

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

For collectively assessed loans, we base the level of allowance for credit losses on a portfolio basis in light of the homogenous nature of the assets included in each portfolio. The allowances are determined based on a

Table of Contents

quantitative review of the relevant portfolio, taking into account such factors as the level of arrears, the value of any security, and historical and projected cash recovery trends over the recovery period. The methodologies we use to estimate collectively assessed allowances reflect the probability that the performing customer will default, our historical loss experience (as adjusted by current economic and credit conditions where appropriate) and the emergence period between an impairment event occurring and a loan being identified and reported as impaired.

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

We also consider the following loans to be impaired loans:

loans that are past due by 90 days or more;

loans that are subject to legal proceedings related to collection;

loans to a borrower that has received a warning from the Korea Federation of Banks indicating that such borrower has exhibited difficulties in making timely payments of principal and interest;

loans to corporate borrowers that are rated **D** according to our internal credit ratings;

restructured loans; and

individually significant loans classified as precautionary based on the asset classification criteria of the Financial Services Commission, where the borrower is subject to complete capital impairment or has received an adverse audit opinion or disclaimer of opinion on its financial statements.

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

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

⁽¹⁾ Applicable for credit card receivables for general purchases of products or services.

⁽²⁾ Applicable for cash advances, card loans and revolving loan receivables.

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

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

Table of Contents

guarantee, we considered the fair value of the collateral or the guarantee payment in establishing the level of the allowance. Alternatively, for impaired loans that were considered collateral dependent, we determined the amount of impairment by reference to the fair value of the collateral. In addition, for certain foreign corporate loans that were considered impaired, we determined the fair value by reference to observable market prices, when available.

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

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

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

Problem Loans and Past Due Accruing Loans

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

Loans to creditors with dishonored notes or checks;

Loans for which interest payments are reduced or postponed (e.g., through work-out procedures or debt restructurings); and

Loans to creditors included in the watch list maintained by the Korea Federation of Banks.

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

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

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

Table of Contents

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

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

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

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

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

(4) Includes credit card balances of 1 billion, 23 billion, 19 billion and 18 billion as of December 31, 2010, 2011, 2012 and 2013, respectively.

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

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

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

Total	3,685	53	3,738
-------	-------	----	-------

(1) Includes credit card balance of 105 billion as of December 31, 2009.

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

Table of Contents*Loan Aging Schedule*

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

	As of December 31, 2013 ⁽¹⁾⁽²⁾											
	Normal		Past due by 1 month or less		Past due by 1-3 months		Past due by 3-6 months		Past due by more than 6 months		Total	
	Amount	%	Amount past due	%	Amount past due	%	Amount past due	%	Amount past due	%	Amount past due	%
Domestic												
Corporate ⁽³⁾												
Commercial and industrial	89,562	46.2%	299	0.2%	293	0.2%	231	0.2%	673	0.3%	91,058	47.0%
Lease financing		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
Trade financing	10,239	5.3%	12	0.0%	13	0.0%	11	0.0%	21	0.0%	10,296	5.3%
Other commercial	9,481	4.9%	27	0.0%	76	0.0%	69	0.0%	37	0.0%	9,690	4.9%
Total corporate	109,282	56.4%	338	0.2%	382	0.2%	311	0.2%	731	0.3%	111,044	57.3%
Consumer												
General purpose household	24,570	12.7%	244	0.1%	54	0.0%	81	0.0%	145	0.1%	25,094	12.9%
Mortgages	19,759	10.2%	123	0.1%	20	0.0%	28	0.0%	22	0.0%	19,952	10.3%
Home equity	25,193	13.0%	251	0.2%	56	0.0%	83	0.0%	149	0.1%	25,732	13.2%
Total consumer	69,522	35.9%	618	0.4%	130	0.1%	192	0.1%	316	0.2%	70,778	36.6%
Credit cards	4,030	2.1%	103	0.1%	36	0.1%	40	0.0%		0.0%	4,209	2.2%
Total domestic	182,834	94.4%	1,059	0.5%	548	0.3%	543	0.3%	1,047	0.5%	186,031	96.0%
Foreign												
Corporate ⁽⁴⁾												
Commercial and industrial	6,918	3.6%	6	0.0%	16	0.0%	15	0.0%	6	0.0%	6,961	3.6%
Lease financing		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
Trade financing	319	0.2%		0.0%		0.0%		0.0%		0.0%	319	0.2%
Other commercial	192	0.1%		0.0%		0.0%		0.0%		0.0%	192	0.1%
Total corporate	7,429	3.9%	6	0.0%	16	0.0%	15	0.0%	6	0.0%	7,472	3.9%
Consumer	259	0.1%	1	0.0%		0.0%	1	0.0%	2	0.0%	263	0.1%
Total foreign	7,688	4.0%	7	0.0%	16	0.0%	16	0.0%	8	0.0%	7,735	4.0%
Total loans⁽⁵⁾	190,522	98.3%	1,066	0.6%	564	0.3%	559	0.3%	1,055	0.5%	193,766	100.0%

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

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

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

(4) Including loans made to banks.

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

Table of Contents

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

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

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

(3) Including loans made to banks.

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

Table of Contents

	As of December 31, 2011											
	Normal		Past due by 1 month or less		Past due by 1-3 months		Past due by 3-6 months		Past due by more than 6 months		Total	
	(in billions of Won, except percentages)											
	Amount	%	Amount past due	%	Amount past due	%	Amount past due	%	Amount past due	%	Amount past due	%
Domestic												
Corporate ⁽¹⁾												
Commercial and industrial	100,069	47.1%	352	0.2%	426	0.2%	232	0.1%	659	0.3%	101,738	47.9%
Lease financing	662	0.3%	16	0.0%	5	0.0%	6	0.0%	11	0.0%	700	0.3%
Trade financing	13,102	6.2%	23	0.0%	27	0.0%	6	0.0%	11	0.0%	13,171	6.2%
Other commercial	9,860	4.7%	25	0.0%	31	0.0%	8	0.0%	1,003	0.5%	10,927	5.1%
Total corporate	123,693	58.2%	416	0.2%	489	0.2%	254	0.1%	1,684	0.8%	126,536	59.5%
Consumer												
General purpose household	32,048	15.1%	391	0.2%	74	0.0%	61	0.0%	135	0.1%	32,709	15.4%
Mortgages	12,016	5.7%	93	0.0%	8	0.0%	7	0.0%	14	0.0%	12,138	5.7%
Home equity	27,399	12.9%	346	0.2%	54	0.0%	42	0.0%	99	0.0%	27,940	13.1%
Total consumer	71,463	33.6%	830	0.4%	136	0.1%	110	0.1%	248	0.1%	72,787	34.3%
Credit cards	4,329	2.0%	146	0.1%	48	0.0%	47	0.0%	2	0.0%	4,592	2.1%
Total domestic	199,485	93.9%	1,392	0.7%	673	0.3%	411	0.2%	1,934	0.9%	203,915	96.0%
Foreign												
Corporate ⁽²⁾												
Commercial and industrial	7,919	3.7%	5	0.0%	14	0.0%	58	0.0%	17	0.0%	8,013	3.7%
Lease financing		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
Trade financing	165	0.1%		0.0%		0.0%		0.0%		0.0%	165	0.1%
Other commercial	272	0.1%		0.0%		0.0%		0.0%		0.0%	272	0.1%
Total corporate	8,356	3.9%	5	0.0%	14	0.0%	58	0.0%	17	0.0%	8,450	3.9%
Consumer	124	0.1%	1	0.0%		0.0%		0.0%	2	0.0%	127	0.1%
Total foreign	8,480	4.0%	6	0.0%	14	0.0%	58	0.0%	19	0.0%	8,577	4.0%
Total loans⁽³⁾	207,965	97.9%	1,398	0.7%	687	0.3%	469	0.2%	1,953	0.9%	212,492	100.0%

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

(2) Including loans made to banks.

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

Credit Exposures to Companies in Workout, Restructuring or Rehabilitation

Workout is a voluntary procedure through which we, together with the borrower and other creditors, restructure a borrower's credit terms. Previously, workouts were regulated under the prior Corporate Restructuring Promotion Act. In December 2013, the National Assembly of Korea adopted a new Corporate Restructuring Promotion Act, or the New Corporate Restructuring Promotion Act, which became effective on January 1, 2014. Workouts that had been initiated under the Corporate Restructuring Promotion Act are also governed by the New Corporate Restructuring Promotion Act effective from January 1, 2014. Under the New Corporate Restructuring Promotion Act, which is similar to the Corporate Restructuring Promotion Act, all creditor financial institutions of a financially troubled borrower are required to participate in a creditors' committee which is authorized to prohibit such creditor financial institutions from exercising their rights against the borrower, commencing workout procedures or approving a reorganization plan prepared by the borrower. Any decision of the creditors' committee requires the approval of creditor financial institutions holding interests as creditor in 75% or more of the total debt outstanding of a borrower. An additional approval of creditor financial institutions holding interests as creditor in 75% or more of the secured debt is required with respect to the borrower's debt restructuring. Once approved, any decision made by the creditors' committee is binding on all the creditor financial institutions of the borrower. Creditor financial institutions that voted against commencement of workout, debt restructuring or granting of new credit have the right to request the creditor financial institutions that voted in favor of such matters to purchase their claims at a mutually agreed

price. In the event that the parties are not able to agree on the terms of purchase, a coordination committee consisting of experts would determine the terms. The creditor financial institutions that oppose a decision made by the coordination committee may request a court to change such decision. The New Corporate Restructuring Promotion Act is scheduled to expire on December 31, 2015.

Table of Contents

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

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

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

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

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

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

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

Table of Contents*Troubled Debt Restructurings*

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

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

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

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

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

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

Potential Problem Loans

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

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

Table of Contents*Other Problematic Interest-Earning Assets*

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

Non-Performing Loans

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

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

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

(2) Excludes 34 billion of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary.

(3) Excludes 43 billion of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary.

(4) Excludes 59 billion of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary.

(5) Excludes 49 billion of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary.

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

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

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

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

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

Table of Contents

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

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

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

(2) Includes home equity loans.

Table of Contents

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

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

⁽¹⁾ Includes home equity loans.

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

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

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

Table of Contents

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

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

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

Non-Performing Loan Strategy

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

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

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

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

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

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

Table of Contents

on a limited basis, identifying corporate loans subject to normalization efforts based on the cash-flow situation of the borrower. Once we have confirmed the details of a non-performing loan, we make efforts to recover amounts owed to us. Methods for resolving non-performing loans include the following:

commencing collection proceedings;

commencing legal actions to seize collateral;

writing off these amounts, transferring them to specific subsidiaries in charge of collections and authorizing those subsidiaries to recover what they can with respect to these amounts or to sell these loans to third parties; and

with respect to large corporations, commencing or participating in voluntary workouts or restructurings mandated by Korean courts. In addition to making efforts to collect on our non-performing loans, we also undertake measures to reduce the overall level of our non-performing loans. These measures include:

selling our non-performing loans to structured companies established in connection with our joint ventures with several financial institutions; and

selling our non-performing loans to third parties, including KAMCO and United Asset Management Corp. See Sales of Non-Performing Loans. We generally expect to suffer a partial loss on loans that we sell or securitize, to the extent such sales and securitizations are recognized as such under IFRS.

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

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

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

Table of Contents*Sales of Non-Performing Loans*

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

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

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

⁽¹⁾ The amounts for the years ended December 31, 2011, 2012 and 2013 reflect the classification of certain subsidiaries as discontinued operations.

⁽²⁾ For the years ended December 31, 2011 and 2012, includes sales to the private equity fund for which UAMCO serves as the general partner. See United Asset Management Corp.

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

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

the underlying documentation of the loan is incomplete;

there is a flaw in the perfection of any security interest underlying the loan; or

certain litigation regarding the loan is pending.

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

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

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

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

Table of Contents

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

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

Allocation and Analysis of Allowances for Credit Losses under IFRS

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

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

(1)

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

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

Table of Contents

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

(3) Includes home equity loans.

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

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

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

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

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

⁽²⁾ Includes home equity loans.

⁽³⁾ Includes unwinding of discount.

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

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

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

⁽¹⁾ Includes home equity loans.

Table of Contents

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

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

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

0.97%

(1) Includes home equity loans.

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

Table of Contents

Loan Charge-Offs

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

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

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

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

loans for which expenses of collection exceed the collectable amount;

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

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

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

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

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

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

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

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

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

Table of Contents*Credit Rehabilitation Programs for Delinquent Consumer Borrowers*

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

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

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

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

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

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

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

Table of Contents

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

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

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

Securities Investment Portfolio

Investment Policy

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

maintain asset stability and diversification;

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

supplement income from core lending activities.

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

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

Our securities investments are subject to various regulations, including limitations prescribed under the Financial Holding Company Act and the Bank Act. Under these regulations, a bank holding company may not own (i) more than 5% of the total issued and outstanding shares of another finance-related company, (ii) any shares of its affiliates, other than its direct or indirect subsidiaries or (iii) any shares of a non-finance-related company. In addition, each of our subsidiaries must limit its investments in equity securities and bonds with a maturity in excess of three years (other than monetary stabilization bonds issued by the Bank of Korea and Korean government bonds) to 60% of the sum of its total Tier I and Tier II capital amount (less any capital deductions). Each of our subsidiaries is also generally prohibited from acquiring more than 15% of the shares with voting rights issued by any other corporation. Woori Bank and its trust accounts are prohibited from acquiring the shares of any of our major shareholders, as defined in Supervision and Regulation Principal Regulations Applicable to Banks Financial Exposure to Any Individual Customer or Major Shareholder, in excess of an amount determined by enforcement decree within a maximum limit of 1% of the sum of our Tier I and Tier II capital (less any capital deductions). Further information on the regulatory environment governing our investment activities is set out in Supervision and Regulation Principal Regulations Applicable to Banks Liquidity and Restrictions on Shareholdings in Other Companies.

Table of Contents

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

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

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

Table of Contents

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

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

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

Table of Contents

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

Table of Contents

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

Book Value and Fair Value

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

	2011		As of December 31, 2012 ⁽¹⁾		2013 ⁽¹⁾⁽²⁾	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Financial assets at fair value through profit and loss						
Financial assets held for trading						
Equity securities	608	608	706	706	196	196
Beneficiary certificates	325	325	755	755	167	167
CMA securities	2,466	2,466	1,937	1,937	201	201
Others	1,651	1,651	2,376	2,376	33	33
Debt securities						
Korean treasury and government agencies	1,194	1,194	2,405	2,405	574	574
Financial institutions	5,194	5,194	4,378	4,378	1,019	1,019
Corporate	5,395	5,395	5,998	5,998	409	409
Commercial paper	2,973	2,973	3,161	3,161		
Total Financial assets held for trading	19,806	19,806	21,716	21,716	2,599	2,599
Financial assets designated at FVTPL						
Equity-linked securities	654	654	651	651		
Asset backed securities	410	410	385	385		
Debt securities			5	5	3	3
Equity securities	12	12	12	12	11	11
Structured deposit			11	11		
Total Financial assets designated at FVTPL	1,076	1,076	1,064	1,064	14	14

Table of Contents

	2011		As of December 31, 2012 ⁽¹⁾		2013 ⁽¹⁾⁽²⁾	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Available-for-sale financial assets						
Equity securities	2,752	2,752	2,185	2,185	1,616	1,616
Beneficiary certificates	3,789	3,789	2,854	2,854	3,065	3,065
Others	219	219	202	202	275	275
Debt securities						
Korean treasury and government agencies	2,787	2,787	2,681	2,681	2,681	2,681
Financial institutions	5,210	5,210	6,050	6,050	6,512	6,512
Corporate	4,183	4,183	4,321	4,321	2,434	2,434
Asset backed securities	599	599	383	383	273	273
Foreign currency bonds	133	133	213	213	229	229
Total Available-for-sale financial assets	19,672	19,672	18,889	18,889	17,085	17,085
Held-to-maturity financial assets						
Debt securities						
Korean treasury and government agencies	7,235	7,432	7,665	7,835	4,729	4,770
Financial institutions	5,859	5,880	3,621	3,646	2,156	2,163
Corporate	6,828	6,898	7,352	7,485	5,131	5,190
Foreign government bonds	103	103	36	36	23	23
Securities loaned	11	11	11	11		
Total Held-to-maturity	20,036	20,324	18,685	19,013	12,039	12,146
Total securities	60,590	60,878	60,354	60,682	31,737	31,844

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

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

Maturity Analysis

The following table categorizes our securities by maturity and weighted average yield as of December 31, 2013 (excluding discontinued operations):

	As of December 31, 2013									
	Within 1 year		Over 1 but Within 5 years		Over 5 but Within 10 years		Over 10 years		Total	
	Amount	Weighted Average Yield ⁽¹⁾	Amount	Weighted Average Yield ⁽¹⁾	Amount	Weighted Average Yield ⁽¹⁾	Amount	Weighted Average Yield ⁽¹⁾	Amount	Weighted Average Yield ⁽¹⁾
Financial assets at fair value through profit or loss:										
Financial assets held for trading										
Korean treasury and government agencies	15	3.37%	540	3.28%	19	3.29%	%		574	3.28%
Financial institutions	668	3.06	351	2.92					1,019	3.01
Corporate	141	4.38	248	3.76	21	4.22			410	4.00
Total	824	3.29%	1,139	3.27%	40	3.77%	%		2,003	3.29%
Financial assets designated at fair value through profit or loss										
Corporate	3	1.54%							3	1.54%
Total	3	1.54%							3	1.54%

Table of Contents

	As of December 31, 2013									
	Within 1 year		Over 1 but Within 5 years		Over 5 but Within 10 years		Over 10 years		Total	
	Weighted		Weighted		Weighted		Weighted		Weighted	
	Amount	Average Yield ⁽¹⁾	Amount	Average Yield ⁽¹⁾	Amount	Average Yield ⁽¹⁾	Amount	Average Yield ⁽¹⁾	Amount	Average Yield ⁽¹⁾
Available-for-sale financial assets										
Korean treasury and government agencies	663	4.23%	1,697	3.32%	303	3.75%	19	3.89%	2,682	3.60%
Financial institutions	3,914	3.06	2,597	2.97	1	2.94			6,512	3.02
Corporate	895	3.87	1,404	3.41	132	3.35	3	2.94	2,434	3.57
Asset backed securities	205	5.79			68	8.62			273	2.61
Foreign currency bonds	90	1.66	115	2.38	17	8.95	8	3.15	230	2.85
Total	5,767	3.39%	5,813	3.15%	521	4.45%	30	3.59%	12,131	3.32%
Held-to-maturity financial assets										
Korean treasury and government agencies	1,148	4.61%	3,527	3.56%	54	3.88%		%	4,729	3.82%
Financial institutions	1,136	2.95	1,020	3.31					2,156	3.12
Corporate	814	4.20	3,903	3.82	52	4.51	362	4.39	5,131	3.93
Foreign currency bonds	13	10.07			4	3.45	6	3.54	23	7.18
Total	3,111	3.92%	8,450	3.65%	110	4.16%	368	4.38%	12,039	3.75%

⁽¹⁾ The weighted average yield for the portfolio represents the yield to maturity for each individual security, weighted using its book value (which is the amortized cost in the case of held-to-maturity financial assets and the fair value in the case of available-for-sale financial assets and financial assets at fair value through profit or loss).

Risk Concentrations

As of December 31, 2013, excluding discontinued operations, we held the following securities of individual issuers where the aggregate book value of those securities exceeded 10% of our owners' equity at such date. As of December 31, 2013, our owners' equity was 17,848 billion.

Name of issuer:	As of December 31, 2013	
	Book Value	Market Value
(in billions of Won)		
Korean government	7,984	8,025
The Bank of Korea	5,111	5,112
Total	13,095	13,137

The Bank of Korea is a Korean government entity.

Funding

We fund our lending and other activities using various sources, both domestic and foreign. Our primary funding strategy is to maintain stable and low-cost funding. We have in the past achieved this in part by increasing the average balances of low-cost customer deposits, in particular demand deposits and savings deposits.

Customer deposits are our principal funding source. Customer deposits accounted for 75.3% of our total funding as of December 31, 2011, 76.7% of our total funding as of December 31, 2012, and 81.3% of our total funding (excluding discontinued operations) as of December 31,

2013.

We also acquire funding through the following sources:

long-term debt, including the issuance of senior and subordinated debentures and borrowings from government-affiliated funds and entities and other financial institutions;

short-term borrowings, including borrowings from the trust accounts of Woori Bank and from the Bank of Korea, and call money; and

the issuance of hybrid securities, including bond-type hybrid securities.

Table of Contents

As of December 31, 2013, excluding discontinued operations, approximately 88.3% of our total funding was denominated in Won.

Deposits

Although the majority of our deposits are short-term, it has been our experience that the majority of our depositors generally roll over their deposits at maturity, providing us with a stable source of funding. See Item 3D. Risk Factors Other risks relating to our business Our funding is highly dependent on short-term deposits, which dependence may adversely affect our operations. The following table shows the average balances of our deposits and the average rates paid on our deposits for the periods indicated:

	2011 ⁽¹⁾		For the year ended December 31, 2012 ⁽¹⁾⁽²⁾		2013 ⁽¹⁾⁽²⁾	
	Average Balance ⁽³⁾	Average Rate Paid	Average Balance ⁽³⁾	Average Rate Paid	Average Balance ⁽³⁾	Average Rate Paid
	(in billions of Won, except percentages)					
Demand deposits	7,898	0.25%	9,641	0.28%	9,397	0.40%
Time deposits and savings deposits	136,423	3.02	138,660	2.97	140,981	2.39
Certificates of deposit	1,516	4.29	694	3.46	2,316	2.81
Other deposits ⁽⁴⁾	16,287	1.92	18,131	1.85	14,243	1.25
Average total deposits	162,124	2.78%	167,126	2.70%	166,937	2.19%

⁽¹⁾ The amounts for the years ended December 31, 2011, 2012 and 2013 reflect the classification of certain subsidiaries as discontinued operations.

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

⁽³⁾ Average balances are based on daily balances for Woori Bank and on quarterly balances for all of our other subsidiaries and our structured companies.

⁽⁴⁾ Mutual installment deposits are interest-bearing deposits offered by us, which enable customers to become eligible to apply for loans secured by such deposits while they maintain an account with us. In order to qualify to apply for such a loan, a customer must make required periodic deposits to the mutual installment account for a contracted term of less than five years. Any such loan will be secured in an amount up to the holder's mutual installment deposit and will be subject to the same loan underwriting policy we apply for other secured loans. For the portion of the loan, if any, that is not secured, we apply the same loan underwriting policy as we would for other unsecured loans.

For a description of our retail deposit products, see Business Consumer Banking Lending Activities Mortgage and Home Equity Lending and Business Consumer Banking Deposit-Taking Activities.

Maturities of Certificates of Deposit and Other Time Deposits

The following table presents, as of December 31, 2013, the remaining maturities of our time deposits, certificates of deposit and mutual installment deposits (excluding discontinued operations) which had fixed maturities in excess of 100 million:

	As of December 31, 2013			Total
	Certificates of Deposit	Other Time Deposits	Mutual Installment Deposits	
	(in billions of Won)			
Maturing within three months	902	25,814		26,716
After three but within six months	309	13,456		13,765
After six but within 12 months	1,994	30,645		32,639
After 12 months	11	3,692		3,703
Total	3,216	73,607		76,823

Table of Contents*Long-Term Debt*

The aggregate amount of contractual maturities of all long-term debt (excluding discontinued operations), which consist of debentures and borrowings with original maturities exceeding one year, as of December 31, 2013 was as follows:

	Amount (in billions of Won)
Due in 2014	9,972
Due in 2015	7,910
Due in 2016	3,908
Due in 2017	1,838
Due in 2018	1,555
Thereafter	4,464
Gross long-term debt	29,647
Less: discount	(59)
Total long-term debt, net	29,588

Short-Term Borrowings

The following table presents, for the periods indicated, information regarding our short-term borrowings, with an original maturity of one year or less:

	2011	As of and for the year ended December 31, 2012	2013⁽¹⁾
	(in billions of Won, except percentages)		
Call money			
Year-end balance	4,393	5,784	4,872
Average balance ⁽²⁾	4,825	3,486	1,570
Maximum balance	5,815	5,784	3,967
Average interest rate ⁽³⁾	2.50%	1.60%	0.8%
Year-end interest rate	0.05~6.20%	0.05~4.35%	0.3~3.00%
Borrowings from the Bank of Korea⁽⁴⁾			
Year-end balance	1,089	958	514
Average balance ⁽²⁾	1,151	923	693
Maximum balance	1,286	1,089	824
Average interest rate ⁽³⁾	1.50%	1.30%	1.00%
Year-end interest rate	1.50%	1.50%	0.57~2.42%
Other short-term borrowings⁽⁵⁾			
Year-end balance	14,282	18,191	5,337
Average balance ⁽²⁾	14,433	18,080	5,204
Maximum balance	15,664	19,808	6,420
Average interest rate ⁽³⁾	1.12%	1.56%	1.63%
Year-end interest rate	0.10~13.50%	0.55~8.72%	0.59~2.84%

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

(2) Average balances are based on daily balances for Woori Bank and on quarterly balances for all of our other subsidiaries and our structured companies.

(3) Average interest rates for the year are calculated by dividing the total interest expense by the average amount borrowed.

(4) Borrowings from the Bank of Korea generally mature within one month for borrowings in Won and six months for borrowings in foreign currencies.

(5) Other short-term borrowings include borrowings from trust accounts, bills sold, borrowings in domestic and foreign currency, short-term secured borrowings and foreign currency debentures. Other short-term borrowings have maturities of 30 days to one year and are unsecured.

Table of Contents

Supervision and Regulation

Principal Regulations Applicable to Financial Holding Companies

General

The Financial Holding Company Act (Law No. 6274, October 23, 2000), last amended on August 13, 2013, regulates Korean financial holding companies and their subsidiaries. The entities that regulate and supervise Korean financial holding companies and their subsidiaries are the Financial Services Commission and the Financial Supervisory Service.

The Financial Services Commission exerts direct control over financial holding companies pursuant to the Financial Holding Company Act. Among other things, the Financial Services Commission:

approves the establishment of financial holding companies;

issues regulations on the capital adequacy of financial holding companies and their subsidiaries; and

drafts regulations relating to the supervision of financial holding companies.

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

Under the Financial Holding Company Act, a financial holding company must primarily engage in controlling its subsidiaries by holding equity stakes in them equal in aggregate to at least 50% of the financial holding company's aggregate assets based on its latest balance sheet. A financial holding company may engage only in the following activities:

controlling the management of its subsidiaries;

financially supporting its direct and indirect subsidiaries;

raising capital necessary for investment in its subsidiaries or providing financial support to its direct and indirect subsidiaries;

supporting the business of its direct and indirect subsidiaries for the joint development and marketing of new products;

supporting the operations of its direct and indirect subsidiaries by providing access to data processing, legal and accounting resources; and

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

The Financial Holding Company Act requires every financial holding company (other than a financial holding company that is controlled by another financial holding company) and its subsidiaries to obtain prior approval from, or file a prior report with, the Financial Services

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

Commission before acquiring control of another company. In addition, the Financial Services Commission must grant permission to liquidate or to merge with any other company before the liquidation or merger. A financial holding company must report to the Financial Services Commission when its officers or largest shareholder changes, and when it ceases to control any of its direct and indirect subsidiaries by disposing of their shares.

Table of Contents*Capital Adequacy*

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

We, as a bank holding company, are required to maintain a minimum consolidated capital adequacy ratio of 8.0%. Consolidated capital adequacy ratio is defined as the ratio of equity capital as a percentage of risk-weighted assets on a consolidated basis, determined in accordance with Financial Services Commission requirements that have been formulated based on Bank for International Settlements, or BIS, standards.

Equity capital, as applicable to bank holding companies, is defined as the sum of Tier I common equity capital, other Tier I capital and Tier II capital less any deductible items, each as defined under the Regulation on the Supervision of Financial Holding Companies. Risk-weighted assets is defined as the sum of credit risk-weighted assets and market risk-weighted assets.

Pursuant to the amended regulations promulgated by the Financial Services Commission in 2013 to implement Basel III, Korean bank holding companies were required to maintain a minimum ratio of Tier I common equity capital to risk-weighted assets of 3.5% and Tier I capital to risk-weighted assets of 4.5% from December 1, 2013, which minimum ratios increased to 4.0% and 5.5%, respectively, from January 1, 2014 and will increase further to 4.5% and 6.0%, respectively, from January 1, 2015. Such requirements are in addition to the pre-existing requirement for a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets of 8.0%, which remains unchanged. The amended regulations also contemplate an additional capital conservation buffer of 0.625% starting in 2016, with such buffer to increase in stages to 2.5% by 2019.

Liquidity

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

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

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

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

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

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

Table of Contents

Financial Exposure to Any Individual Customer or Major Shareholder

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

Net aggregate equity capital is defined as the sum of:

- (1) in case of a financial holding company, the capital amount as defined in Article 24-3(7), Item 2 of the Enforcement Decree of the Financial Holding Company Act;
- (2) in case of a bank, the capital amount as defined in Article 2(1), Item 5 of the Bank Act;
- (3) in case of a merchant bank, the capital amount as defined in Article 342(1) of the Financial Investment Services and Capital Markets Act;
- (4) in case of a financial investment company, the capital amount as defined in Article 37(3) of the Enforcement Decree of the Financial Investment Services and Capital Markets Act;
- (5) in case of an insurance company, the capital amount as defined in Article 2, Item 15 of the Insurance Business Act;
- (6) in case of a savings bank, the capital amount as defined in Article 2, Item 4 of the Mutual Savings Bank Act; and
- (7) in case of a specialized credit financial business company, the capital amount as defined in Article 2, Item 19 of the Specialized Credit Financial Business Act;

less the sum of:

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

The Financial Holding Company Total Credit to a single individual or judicial person may not exceed 20% of the net aggregate equity capital. In addition, the Financial Holding Company Total Credit to a shareholder holding (together with the persons who have a special relationship with the shareholder, as defined in the Enforcement Decree of the Financial Holding Company Act) in aggregate more than 10% of the total issued and outstanding voting shares of a financial holding company generally may not exceed the lesser of (x) 25% of the net aggregate equity capital and (y) the amount of the equity capital of the financial holding company multiplied by the shareholding ratio of such shareholder (together with the persons who have a special relationship with such shareholder).

Further, the total sum of credits (as defined in the Financial Holding Company Act, the Bank Act, the Financial Investment Services and Capital Markets Act, the Insurance Business Act, the Mutual Savings Bank Act and the Specialized Credit Financial Business Act, respectively) of a bank holding company and its direct and indirect subsidiaries that are banks, merchant banks, financial investment companies, insurance companies,

Table of Contents

savings banks or specialized credit financial business companies, as applicable (Bank Holding Company Total Credit) extended to a major shareholder (as defined below) (together with the persons who have a special relationship with that major shareholder) will not be permitted to exceed the lesser of (x) 25% of the net aggregate equity capital and (y) the amount of the equity capital of the bank holding company multiplied by the shareholding ratio of the major shareholder, except for certain cases.

Major shareholder is defined as:

a shareholder holding (together with persons who have a special relationship with that shareholder), in excess of 10% (or in the case of a bank holding company controlling regional banks only, 15%) in the aggregate of the bank holding company's total issued voting shares; or

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

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

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

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

Subject to certain exceptions, a direct or indirect subsidiary of a financial holding company is prohibited from owning the shares of any other direct or indirect subsidiaries (other than those directly controlled by that direct or indirect subsidiary) under the common control of the financial holding company. Subject to certain exceptions, a direct or indirect subsidiary of a financial holding company is also prohibited from owning the shares of the financial holding company controlling that direct or indirect subsidiary. The transfer of certain loans or credits classified as precautionary or below between a financial holding company and its direct or indirect subsidiary or between the direct and indirect subsidiaries of a financial holding company is prohibited except for:

- (1) transfers to a structured company, or entrustment with a trust company, for an asset-backed securitization transaction;
- (2) transfers to a mortgage-backed securities issuance company for a mortgage securitization transaction;
- (3) transfers or in-kind contributions to a corporate restructuring vehicle under the Corporate Restructuring Investment Companies Act; and
- (4) transfers to a corporate restructuring company under the Industry Promotion Act.

Table of Contents

Disclosure of Management Performance

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

- (1) financial condition and profit and loss of the financial holding company and its direct and indirect subsidiaries;
- (2) fund raising by the financial holding company and its direct and indirect subsidiaries and the appropriation of such funds;
- (3) any sanctions levied on the financial holding company and its direct and indirect subsidiaries under the Financial Holding Company Act or any corrective measures or sanctions under the Law on Improvement of Structure of Financial Industry; and
- (4) occurrence of any non-performing assets or financial incident that may have a material adverse effect, or any other event as prescribed in the applicable regulations.

Restrictions on Shareholdings in Other Companies

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

Restrictions on Shareholdings by Direct and Indirect Subsidiaries

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

financial institutions established in foreign jurisdictions;

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

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

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

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

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

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

Table of Contents*Restrictions on Transactions between a Bank Holding Company and its Major Shareholder*

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

Restriction on Ownership of a Financial Holding Company

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

Furthermore, in the case where a person (including Korean and foreign investors, but excluding certain persons prescribed under the Enforcement Decree of the Financial Holding Company Act) (i) acquires in excess of 4% of the total issued and outstanding voting shares of any financial holding company (other than a financial holding company controlling only regional banks), (ii) becomes the largest shareholder of such financial holding company in which such person has acquired in excess of 4% of the total issued and outstanding voting shares, or (iii) changes its shareholding in such financial holding company, in which it has acquired in excess of 4% of the total issued and outstanding voting shares, by 1% or more of the total issued and outstanding voting shares of such financial holding company, such person must file a report on such change with the Financial Services Commission within five days thereafter.

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

- (1) any same shareholder group where the aggregate net assets of all non-financial business companies belonging to that group equals or exceeds 25% of the aggregate net assets of all members of that group;
- (2) any same shareholder group where the aggregate assets of all non-financial business companies belonging to that group equals or exceeds \$2 trillion;
- (3) any mutual fund where a same shareholder group identified in (1) or (2) above owns more than 4% of the total issued and outstanding shares of that mutual fund;
- (4) any private equity fund (a) where a person falling under any of items (1) through (3) is a limited partner holding not less than 10% of the total amount of contributions to a private equity fund, or (b) where a person falling under any of items (1) through (3) is a general partner, or (c) where the total equity of the private equity fund acquired by each affiliate belonging to several enterprise groups subject to the limitation on mutual investment is 30% or more of the total amount of contributions to the private equity fund; or

Table of Contents

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

Sharing of Customer Information among a Financial Holding Company and its Subsidiaries

Under the Act on Use and Protection of Credit Information, any individual customer's credit information must be disclosed or otherwise used by financial institutions only to determine, establish or maintain existing commercial transactions with them and only after obtaining written consent to use that information. Under the Financial Holding Company Act, a financial holding company and its direct and indirect subsidiaries, however, may share certain credit information of individual customers among themselves for business purposes without the customers' written consent. In addition, a subsidiary financial investment company with a dealing and/or brokerage license of a financial holding company may provide that financial holding company and its other direct and indirect subsidiaries information relating to the aggregate amount of cash or securities that a customer of the financial investment company with a dealing and/or brokerage license has deposited for business purposes.

Principal Regulations Applicable to Banks*Capital Adequacy*

The Bank Act requires nationwide banks, such as Woori Bank, to maintain a minimum paid-in capital of 100 billion and regional banks, such as Kyongnam Bank and Kwangju Bank, to maintain a minimum paid-in capital of 25 billion. All banks, including foreign bank branches in Korea, are also required to maintain a prescribed solvency position. A bank must also set aside in its legal reserve an amount equal to at least 10% of the net income after tax each time it pays dividends on net profits earned until its legal reserve reaches at least the aggregate amount of its paid-in capital.

Under the Enforcement Detailed Rules on the Supervision of Banking Business, the capital of a bank is divided into two categories, Tier I and Tier II capital. Tier I capital (core capital) consists of (i) Tier I common equity capital including paid-in capital, capital surplus and retained earnings related to common equity and accumulated other comprehensive gains and losses, and (ii) other Tier I capital, including paid-in capital and capital surplus related to hybrid Tier I capital instruments that, among other things, qualify as contingent capital and are subordinated to subordinated debt. Tier II capital (supplementary capital) consists of, among other things, paid-in capital and capital surplus related to Tier II capital instruments, allowances for loan losses set aside for loans classified as normal or precautionary (up to certain limits) and certain other subordinated debt.

All banks must meet minimum ratios of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets, determined in accordance with Financial Services Commission requirements that have been formulated based on BIS standards. These requirements were adopted and became effective in 1996, and were amended effective January 1, 2008 upon the implementation by the Financial Supervisory Service of Basel II. Under such requirements, all domestic banks and foreign bank branches must meet a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets of 8%. In July and September 2013, the Financial Services Commission promulgated amended regulations implementing Basel III in Korea, pursuant to which all Korean banks and bank holding companies were required to maintain a minimum ratio of Tier I common equity capital to risk-weighted assets of 3.5% and Tier I capital to risk-weighted assets of 4.5% from December 1, 2013, which minimum ratios increased to 4.0% and 5.5%, respectively, from January 1, 2014, and will increase further to 4.5% and 6.0%, respectively, from January 1, 2015. Such requirements are in addition to the pre-existing requirement for a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets of 8.0%, which remains unchanged. The amended regulations also contemplate an additional capital conservation buffer of 0.625% starting in 2016, with such buffer to increase in stages to 2.5% by 2019.

In November 2002, the Financial Services Commission amended the Enforcement Detailed Rules on the Supervision of the Banking Business to include a more conservative risk-weighting system for certain newly extended home mortgage loans, which set the risk-weighted ratios of Korean banks in respect of home mortgage

Table of Contents

loans between 50% and 70% depending on the borrower's debt ratio and whether the home mortgage loans are overdue. In June 2007 and in February 2012, the Financial Services Commission further amended the Enforcement Detailed Rules on the Supervision of the Banking Business and, as a result, the following risk-weight ratios must be applied by Korean banks in respect of home mortgage loans:

(1) for those banks which adopted a standardized approach for calculating credit risk capital requirements, a risk-weight ratio of 35% and, with respect to high-risk home mortgage loans, 50%; and

(2) for those banks which adopted an internal ratings-based approach for calculating credit risk capital requirements, a risk-weight ratio calculated with reference to the probability of default, loss given default and exposure at default, each as defined under the Enforcement Detailed Rules on the Supervision of the Banking Business.

Liquidity

All banks are required to ensure adequate liquidity by matching the maturities of their assets and liabilities in accordance with the Rules on the Supervision of the Banking Business. Banks may not invest an amount exceeding 60% of their Tier I and Tier II capital (less any capital deductions) in stocks and other securities with a maturity of over three years. This stipulation does not apply to Korean government bonds or to Monetary Stabilization Bonds issued by the Bank of Korea. The Financial Services Commission also requires each Korean bank to:

maintain a Won liquidity ratio (defined as Won assets due within one month, including marketable securities, divided by Won liabilities due within one month) of not less than 100% and to make monthly reports to the Financial Supervisory Service;

maintain a foreign currency liquidity ratio (defined as foreign currency liquid assets due within three months divided by foreign currency liabilities due within three months) of not less than 85%;

maintain a ratio of foreign currency liquid assets due within seven days less foreign currency liabilities due within seven days, divided by total foreign currency assets, of not less than negative 3%;

maintain a ratio of foreign currency liquid assets due within a month less foreign currency liabilities due within a month, divided by total foreign currency assets, of not less than negative 10%; and

submit monthly reports with respect to the maintenance of these ratios.

The Monetary Policy Committee of the Bank of Korea is empowered to fix and alter minimum reserve requirements that banks must maintain against their deposit liabilities. The current minimum reserve ratio is:

7% of average balances for Won currency demand deposits outstanding;

0% of average balances for Won currency employee asset establishment savings deposits, employee long-term savings deposits, employee house purchase savings deposits, long-term house purchase savings deposits, household long-term savings deposits and employee preferential savings deposits outstanding; and

2% of average balances for Won currency time and savings deposits, mutual installments, housing installments and certificates of deposit outstanding.

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

For foreign currency deposit liabilities, a 2% minimum reserve ratio is applied to time deposits with a maturity of one month or longer, certificates of deposit with a maturity of 30 days or longer and savings deposits with a maturity of six months or longer and a 7% minimum reserve ratio is applied to demand deposits and other deposits. A 1% minimum reserve ratio applies to deposits in offshore accounts, immigrant accounts and resident accounts opened by foreign exchange banks as well as foreign currency certificates of deposit held by account holders of such offshore accounts, immigrant accounts and resident accounts opened by foreign exchange banks.

Furthermore, pursuant to the Regulation on Supervision of Banking Business, foreign exchange agencies, including our subsidiary banks, will be required to hold foreign currency safe assets in an aggregate amount that is not less than the lower of (i) the product of (x) its total foreign currency-denominated debt maturing in one

Table of Contents

year or less multiplied by 2/12 and (y) an amount equal to one minus the lowest rollover ratio and (ii) 2% of its total foreign currency-denominated assets as shown in the balance sheet for the immediately preceding quarter. The lowest rollover ratio of a foreign exchange agency means the ratio of (A) its total debt with a maturity of one year or less (excluding overnight money) incurred in a particular month to (B) its total debt with maturity of one year or less (excluding overnight money) payable in that particular month, and is calculated by taking the lowest three month average from a period to be designated by the governor of the Financial Supervisory Service. Under the regulation, foreign currency-denominated debt maturing in one year or less includes financial bonds, borrowings, call monies and repurchase selling denominated in foreign currencies and such other similar debt instruments denominated in a foreign currency as designated by the governor of the Financial Supervisory Service. Foreign currency safe assets are defined as cash denominated in foreign currency, deposits denominated in foreign currency with a central bank or financial institutions rated A or above, bonds issued or guaranteed by a government or central bank rated A or above or corporate bonds issued or guaranteed by corporations rated A or above. Accordingly, we may be required to acquire further foreign currency safe assets. In addition, the regulation also has increased the minimum mid- to long-term foreign exchange funding ratio applicable to foreign exchange agencies, including us, from 80% to 100%. Mid-to long term foreign exchange funding ratio refers to the ratio of (1) the total outstanding amount of foreign exchange borrowing with a maturity of more than one year to (2) the total outstanding amount of foreign exchange lending with a maturity of one year or more.

Financial Exposure to Any Individual Customer or Major Shareholder

Under the Bank Act, the sum of large exposures by a bank in other words, the total sum of its credits to single individuals, juridical persons or business groups that exceed 10% of the sum of Tier I and Tier II capital (less any capital deductions) generally must not exceed five times the sum of Tier I and Tier II capital (less any capital deductions). In addition, banks generally may not extend credit (including loans, guarantees, purchases of securities (only in the nature of a credit) and any other transactions that directly or indirectly create credit risk) in excess of 20% of the sum of Tier I and Tier II capital (less any capital deductions) to a single individual or juridical person, or grant credit in excess of 25% of the sum of Tier I and Tier II capital (less any capital deductions) to a single group of companies as defined in the Monopoly Regulations and Fair Trade Act.

The Bank Act also provides for certain restrictions on extending credits to a major shareholder. A major shareholder is defined as:

a shareholder holding (together with persons who have a special relationship with that shareholder) in excess of 10% (or 15% in the case of regional banks) in the aggregate of the bank's total issued voting shares; or

a shareholder holding (together with persons who have a special relationship with that shareholder) in excess of 4% in the aggregate of the bank's (excluding regional banks) total issued voting shares (excluding shares subject to the shareholding restrictions on non-financial business group companies as described below), where the shareholder is the largest shareholder or has actual control over the major business affairs of the bank through, for example, appointment and dismissal of the officers pursuant to the Enforcement Decree of the Bank Act. Non-financial business group companies primarily consist of: (i) any single shareholding group whose non-financial company assets comprise no less than 25% of its aggregate net assets; (ii) any single shareholding group whose non-financial company assets comprise no less than 2 trillion in aggregate; or (iii) any mutual fund of which any single shareholding group identified in (i) or (ii) above, owns more than 9% of the total issued and outstanding shares.

Under these restrictions, banks may not extend credits to a major shareholder (together with persons who have a special relationship with that shareholder) in an amount greater than the lesser of (x) 25% of the sum of the bank's Tier I and Tier II capital (less any capital deductions) and (y) the relevant major shareholder's shareholding ratio multiplied by the sum of the bank's Tier I and Tier II capital (less any capital deductions). In addition, the total sum of credits granted to all major shareholders must not exceed 25% of the bank's Tier I and Tier II capital (less any capital deductions).

Table of Contents

Interest Rates

Korean banks generally depend on deposits as their primary funding source. Under the Act on Registration of Credit Business and Protection of Finance Users, interest rates on loans made by registered banks in Korea may not exceed 35% per annum. Historically, interest rates on deposits and lending rates were regulated by the Monetary Policy Committee of the Bank of Korea. Controls on deposit interest rates in Korea have been gradually reduced and, in February 2004, the Korean government removed restrictions on all interest rates, except for the prohibition on interest payments on current account deposits. This deregulation process has increased competition for deposits based on interest rates offered and, therefore, may increase a bank's interest expense.

Lending to Small- and Medium-Sized Enterprises

In order to obtain funding from the Bank of Korea at concessionary rates for their small- and medium-sized enterprise loans, banks are required to allocate a certain minimum percentage of any quarterly increase in their Won currency lending to small- and medium-sized enterprises. Currently, this minimum percentage is 45% in the case of nationwide banks and 60% in the case of regional banks. If a bank does not comply with this requirement, the Bank of Korea may:

require the bank to prepay all or a portion of funds provided to that bank in support of loans to small- and medium-sized enterprises;
or

lower the bank's credit limit.

Disclosure of Management Performance

For the purpose of protecting depositors and investors in commercial banks, the Financial Services Commission requires commercial banks to publicly disclose certain material matters, including:

financial condition and profit and loss of the bank and its direct and indirect subsidiaries;

fund raising by the bank and the appropriation of such funds;

any sanctions levied on the bank under the Bank Act or any corrective measures or sanctions under the Law on Improvement of Structure of Financial Industry; and

except as may otherwise have been disclosed by a bank or its financial holding company listed on the KRX KOSPI Market in accordance with the Financial Investment Services and Capital Markets Act, occurrence of any of the following events listed below or any other event as prescribed by the applicable regulations:

- (i) loans bearing no profit made to a single business group in an amount exceeding 10% of the sum of the bank's Tier I and Tier II capital (less any capital deductions) as of the end of the previous month (where the loan exposure to that borrower is calculated as the sum of substandard credits, doubtful credits and estimated loss credits), unless the loan exposure to that group is not more than 4 billion;
- (ii) the occurrence of any financial incident involving embezzlement, malfeasance or misappropriation of funds in an amount exceeding 1% of the sum of the bank's Tier I and Tier II capital (less any capital deductions) as of the end of the previous month, unless the bank has lost or expects to lose not more than 1 billion as a result of that financial incident, or the governor

of the Financial Supervisory Service has made a public announcement regarding the incident; and

- (iii) any loss due to court judgments or similar decisions in civil proceedings in an amount exceeding 1% of the sum of the bank's Tier I and Tier II capital (less any capital deductions) as of the end of the previous month, unless the loss is not more than 1 billion.

Table of Contents

Restrictions on Lending

Pursuant to the Bank Act, commercial banks may not provide:

loans directly or indirectly secured by a pledge of a bank's own shares;

loans directly or indirectly to enable a natural or juridical person to buy the bank's own shares;

loans to any of the bank's officers or employees, other than petty loans of up to 20 million in the case of a general loan, 50 million in the case of a general loan plus a housing loan or 60 million in the aggregate for general loans, housing loans and loans to pay damages arising from wrongful acts of employees in financial transactions;

credit (including loans) secured by a pledge of shares of a subsidiary corporation of the bank or to enable a natural or juridical person to buy shares of a subsidiary corporation of the bank; or

loans to any officers or employees of a subsidiary corporation of the bank, other than general loans of up to 20 million or general and housing loans of up to 50 million in the aggregate.

Recent Regulations Relating to Retail Household Loans

The Financial Services Commission implemented a number of changes in recent years to the mechanisms by which a bank evaluates and reports its retail household loan balances and has proposed implementing further changes. Due to a rapid increase in the number of loans secured by homes and other forms of housing, the Financial Services Commission and the Financial Supervisory Service have implemented regulations designed to curtail extension of new or refinanced loans secured by housing, including the following:

as to loans secured by collateral of housing (including apartments) located nationwide, the loan-to-value ratio (the aggregate principal amount of loans secured by such collateral over the appraised value of the collateral) should not exceed 60%;

as to loans secured by collateral of housing (including apartments) located in areas of excessive investment or housing (excluding apartments) located in areas of high speculation, in each case as designated by the Korean government, (i) the loan-to-value ratio for loans with a maturity of not more than three years should not exceed 50% and (ii) the loan-to-value ratio for loans with a maturity of more than three years should not exceed 60%;

as to loans secured by apartments located in areas of high speculation as designated by the Korean government,

- (i) the loan-to-value ratio for loans with a maturity of not more than ten years should not exceed 40%; and
- (ii) the loan-to-value ratio for loans with a maturity of more than ten years should not exceed (a) 40%, if the price of such apartment is over 600 million, and (b) 60%, if the price of such apartment is 600 million or lower;

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

as to loans secured by apartments with appraisal value of more than 600 million in areas of high speculation as designated by the Korean government or certain metropolitan areas designated as areas of excessive investment by the Korean government, the borrower's debt-to-income ratio (calculated as (i) the aggregate annual total payment amount of (x) the principal of and interest on loans secured by such apartment(s) and (y) the interest on other debts of the borrower over (ii) the borrower's annual income) should not exceed 40%;

as to apartments located in areas of high speculation as designated by the Korean government, a borrower is permitted to have only one new loan secured by such apartment;

where a borrower has two or more loans secured by apartments located in areas of high speculation as designated by the Korean government, the loan with the earliest maturity date must be repaid first and the number of loans must be eventually reduced to one; and

Table of Contents

in the case of a borrower (i) whose spouse already has a loan secured by housing or (ii) who is single and under 30 years old, the debt-to-income ratio of the borrower in respect of loans secured by apartment(s) located in areas of high speculation as designated by the Korean government should not exceed 40%.

Restrictions on Investments in Property

A bank may not invest in securities set forth below in excess of 60% of the sum of the bank's Tier I and Tier II capital (less any capital deductions):

debt securities (within the meaning of paragraph (3) of Article 4 of the Financial Investment Services and Capital Markets Act) the maturity of which exceeds three years, but excluding government bonds, monetary stabilization bonds issued by the Bank of Korea and bonds within the meaning of item 2, paragraph (6) of Article 11 of the Law on the Improvement of the Structure of the Financial Industry;

equity securities, but excluding securities within the meaning of item 1, paragraph (6) of Article 11 of the Law on the Improvement of the Structure of the Financial Industry;

derivatives linked securities (within the meaning of paragraph (7) of Article 4 of the Financial Investment Services and Capital Markets Act) the maturity of which exceeds three years; and

beneficiary certificates, investment contracts and depositary receipts (within the meaning of paragraph (2) of Article 4 of the Financial Investment Services and Capital Markets Act) the maturity of which exceeds three years.

A bank may possess real estate property only to the extent necessary for the conduct of its business, unless the aggregate value of that property does not exceed 60% of the sum of the bank's Tier I and Tier II capital (less any capital deductions). Any property that a bank acquires by exercising its rights as a secured party, or which a bank is prohibited from acquiring under the Bank Act, must be disposed of within one year.

Restrictions on Shareholdings in Other Companies

Under the Bank Act, a bank may not own more than 15% of shares outstanding with voting rights of another corporation, except where, among other reasons:

that corporation engages in a category of financial businesses set forth by the Financial Services Commission; or

the acquisition is necessary for the corporate restructuring of the corporation and is approved by the Financial Services Commission. In the above exceptional cases, the total investment in corporations in which the bank owns more than 15% of the outstanding shares with voting rights may not exceed 15% of the sum of Tier I and Tier II capital (less any capital deductions), or 30% of the sum of Tier I and Tier II capital (less any capital deductions) if the bank meets certain management conditions as set forth in the applicable rules adopted by the Financial Services Commission.

The Bank Act provides that a bank using its bank accounts and its trust accounts may not acquire the shares of another corporation that is a major shareholder of the bank in excess of an amount equal to 1% of the sum of Tier I and Tier II capital (less any capital deductions).

Restrictions on Bank Ownership

Under the Bank Act, a single shareholder and persons who have a special relationship with that shareholder generally may acquire beneficial ownership of no more than 10% of a nationwide bank's total issued and outstanding shares with voting rights and no more than 15% of a regional bank's total issued and outstanding shares with voting rights. The Korean government, the KDIC and bank holding companies qualifying under

the Financial Holding Company Act are not subject to this limit. However, non-financial business group companies

Table of Contents

may not acquire beneficial ownership of shares of a nationwide bank in excess of 4% of that bank's outstanding voting shares, unless they obtain the approval of the Financial Services Commission and agree not to exercise voting rights in respect of shares in excess of the 4% limit, in which case they may acquire beneficial ownership of up to 10% of a nationwide bank's outstanding voting shares.

Non-financial business group companies can no longer acquire more than 4.0% of the issued and outstanding shares of voting stock of a bank pursuant to an amendment of the Financial Holding Company Act that became effective from February 14, 2014, which grants an exception for non-financial business group companies which, at the time of the enactment of the amended provisions, held more than 4.0% of the shares of a bank with the approval of the Financial Services Commission before the amendment.

In addition, if a foreign investor, as defined in the Foreign Investment Promotion Act, owns in excess of 4% of a nationwide bank's outstanding voting shares, non-financial business group companies may acquire beneficial ownership of up to 10% of that bank's outstanding voting shares, and in excess of 10%, 25% or 33% of that bank's outstanding voting shares with the approval of the Financial Services Commission in each instance, up to the number of shares owned by the foreign investor. Any other person (whether a Korean national or a foreign investor), with the exception of non-financial business group companies described above, may acquire no more than 10% of a nationwide bank's total voting shares issued and outstanding, unless they obtain approval from the Financial Services Commission in each instance where the total holding will exceed 10% (or 15% in the case of regional banks), 25% or 33% of the bank's total voting shares issued and outstanding provided that, in addition to the foregoing threshold shareholding ratios, the Financial Services Commission may, at its discretion, designate a separate and additional threshold shareholding ratio.

Deposit Insurance System

The Depositor Protection Act provides insurance for certain deposits of banks in Korea through a deposit insurance system. Under the Depositor Protection Act, all banks governed by the Bank Act are required to pay an insurance premium to the KDIC on a quarterly basis. The rate is determined under the Enforcement Decree to the Depositor Protection Act, and may not exceed 0.5% of the bank's insurable deposits in any given year. The current insurance premium is 0.02% of insurable deposits for each quarter. If the KDIC makes a payment on an insured amount, it will acquire the depositors' claims with respect to that payment amount. The KDIC insures a maximum of 50 million for deposits and interest, regardless of when the deposits were made and the size of the deposits. Certain banks governed by the Bank Act, including Woori Bank, are also required by the Deposit Insurance Act to pay a special contribution of 0.025% of average deposits for each quarter as repayment of the governmental funding provided to such banks in the wake of the financial crisis in Korea in the late 1990s. The Depositor Protection Act requires such special contribution to be paid until 2027.

Laws and Regulations Governing Other Business Activities

A bank must register with the Ministry of Strategy and Finance to enter the foreign exchange business, which is governed by the Foreign Exchange Transaction Law. A bank must obtain the permission of the Financial Services Commission to enter the securities business, which is governed by regulations under the Financial Investment Services and Capital Markets Act. Under these laws, a bank may engage in the foreign exchange business, securities repurchase business, governmental/public bond underwriting business and governmental bond dealing business.

Trust Business

A bank must obtain approval from the Financial Services Commission to engage in trust businesses. The Trust Act and the Financial Investment Services and Capital Markets Act govern the trust activities of banks, and they are subject to various legal and accounting procedures and requirements, including the following:

under the Trust Act, assets accepted in trust by a bank in Korea must be segregated from other assets in the accounts of that bank; and

Table of Contents

depositors and other general creditors cannot obtain the assets comprising the trust accounts if the bank is liquidated or wound-up. The bank must make a special reserve of 25% or more of fees and commissions from each unspecified money trust account for which a bank guarantees the principal amount and a minimum yield until the total reserve for that account equals 5% of the trust amount. Since January 1999, the Korean government has prohibited Korean banks from offering new guaranteed fixed rate trust account products whose principal and interest are guaranteed.

Under the Financial Investment Services and Capital Markets Act, which became effective in February 2009, a bank with a trust business license is permitted to offer both specified money trust account products and unspecified money trust account products. Previously, banks were not permitted to offer unspecified money trust account products pursuant to the Indirect Investment Asset Management Act, which is no longer in effect following the effectiveness of the Financial Investment Services and Capital Markets Act.

Credit Card Business***General***

In order to enter the credit card business, a company must register with the Financial Services Commission. Credit card businesses are governed by the Specialized Credit Financial Business Act, enacted on August 28, 1997 and last amended on March 22, 2013, which sets forth specific requirements with respect to the credit card business as well as generally prohibiting unsound business practices relating to the credit card business which may infringe on the rights of credit card holders or negatively affect the soundness of the credit card industry. Credit card companies, including our wholly-owned subsidiary, Woori Card, are regulated by the Financial Services Commission and the Financial Supervisory Service.

Disclosure and Reports

Pursuant to the Specialized Credit Financial Business Act, a credit card company is required to disclose on a periodic and on-going basis certain material matters and events. In addition, a credit card company must submit its business reports with respect to its results of operations to the Governor of the Financial Supervisory Service within one month from the end of each quarter.

Lending Ratio in Ancillary Business

Pursuant to the Enforcement Decree to the Specialized Credit Financial Business Act, a credit card company must maintain an aggregate quarterly average outstanding lending balance to credit cardholders (including cash advances and credit card loans, but excluding restructured loans) no greater than the sum of (i) its aggregate quarterly average outstanding credit card balance arising from the purchase of goods and services and (ii) the aggregate quarterly debit card transaction volume.

Restrictions on Funding

Pursuant to the Specialized Credit Finance Business Act and regulations thereunder, a credit card company must ensure that its total assets do not exceed an amount equal to six times its equity capital. However, if a credit card company is unable to comply with such limit upon the occurrence of unavoidable events, such as drastic changes in the domestic and global financial markets, such limit may be adjusted through a resolution of the Financial Services Commission.

Risk of Loss Due to Lost, Stolen, Forged or Altered Credit Cards

Under the Specialized Credit Financial Business Act, a credit card company is liable for any losses arising from the unauthorized use of credit cards or debit cards after it has received notice from the cardholder of the loss or theft of the card, and is also liable for any unauthorized use during the period beginning 60 days before it receives notice of the loss or theft from the cardholder.

Table of Contents

However, if the credit card company has entered into agreements which allow it to transfer all or part of its burden of liability for loss or theft of credit cards to holders of the credit cards, then the company may transfer the liability to those holders of the credit cards in accordance with the terms and conditions of the agreements. Even in such case, the risk of liability cannot be transferred to the holders of the credit cards if there was no willful misconduct or negligence attributable to the holders of the credit cards, such as in the case where the cardholder's password was disclosed under irresistible force or threat to the cardholder's or his/her relative's life or health.

A credit card company is also liable for any loss arising from the use of forged or altered credit cards, debit cards or pre-paid cards. However, if the company has entered into an agreement allowing it to transfer all or part of its burden of liability for loss or theft of the credit card, debit card, or pre-paid card to the holder of the credit card, debit card, or pre-paid card, and it has proved willful misconduct or gross negligence of the holder of the credit card, debit card, or pre-paid card, then the credit card company may transfer the liability to such holder of the credit card, debit card, or pre-paid card in accordance with the terms and conditions of the agreement. For these purposes, willful misconduct or gross negligence means either disclosure of the cardholder's password, or the transfer of the credit card or debit card, or providing such credit card or debit card as security, all through willful misconduct or gross negligence.

Any agreement between a credit card company and a cardholder allowing the transfer of burden of liability for the loss, theft, forgery or alteration of credit cards, debit cards, or pre-paid cards, as applicable, will be effective only if it is in writing, and an act of gross negligence by the cardholder will be acknowledged as such only if it is expressly provided as falling under such act in the agreement.

Each credit card company must institute appropriate measures to fulfill these obligations, such as establishing allowances for credit losses, purchasing insurance or joining a cooperative association.

Pursuant to the Specialized Credit Financial Business Act, the Financial Services Commission may either restrict the limit or take other necessary measures against the credit card company with respect to such matters as the maximum limits on the amount per credit card, details of credit card terms and conditions, management of credit card merchants and collection of claims, including the following:

maximum limits for cash advances on credit cards;

use restrictions on debit cards with respect to per day or per transaction usage;

aggregate issuance limits and maximum limits on the amount per card on pre-paid cards; and

other matters prescribed by the Specialized Credit Financial Business Act and the Enforcement Decree thereto.

Issuance of New Cards and Solicitation of New Card Holders

The Enforcement Decree to the Specialized Credit Financial Business Act establishes the conditions under which a credit card company may issue new cards and solicit new members. New credit cards may be issued only to the following persons:

persons who are at least 20 years old when they apply for a credit card;

persons whose capability to pay bills as they come due has been verified using standards established by the registered bank engaging in the credit card business; and

in the case of minors who are at least 18 years and younger than 20 years, persons who submit documents evidencing employment as of the date of the credit card application, such as an employment certificate, or persons for whom the issuance of a credit card is necessitated by governmental policies, such as financial aid.

Table of Contents

In addition, a credit card company may not solicit credit card members by:

providing economic benefits or promising to provide economic benefits in excess of 10% of the annual credit card fee (in the case of credit cards with annual fees that are less than the average of the annual fees charged by the major credit cards in Korea, the annual fee will be deemed to be equal to such average annual fee) in connection with issuing a credit card;

soliciting applicants on roads, public places or along corridors used by the general public;

soliciting applicants through visits, except those visits made upon prior consent and visits to a business area;

soliciting applicants through the Internet without verifying whether the applicant is who he or she purports to be, by means of a certified digital signature under the Digital Signature Act; and

soliciting applicants through pyramid sales methods.

Compliance Rules on Collection of Receivable Claims

Pursuant to Supervisory Regulation on the Specialized Credit Financial Business, a credit card company may not:

exert violence or threaten violence;

inform a related party (a guarantor of the debtor, blood relative or fiancée of the debtor, a person living in the same household as the debtor or a person working in the same workplace as the debtor) of the debtor's obligations without just cause;

provide false information relating to the debtor's obligation to the debtor or his or her related parties;

threaten to sue or sue the debtor for fraud despite lack of affirmative evidence to establish that the debtor has submitted forged or false documentation with respect to his/her capacity to make payment;

visit or telephone the debtor during late evening hours (between the hours of 9:00 p.m. and 8:00 a.m.); and

utilize other uncustomary methods to collect the receivables that interfere with the privacy or the peace in the workplace of the debtor or his or her related parties.

Regulations on Class Actions Regarding Securities

The Law on Class Actions Regarding Securities was enacted as of January 20, 2004 and last amended on May 28, 2013. The Law on Class Actions Regarding Securities governs class actions suits instituted by one or more representative plaintiff(s) on behalf of 50 or more persons who claim to have been damaged in a capital markets transaction involving securities issued by a listed company in Korea.

Applicable causes of action with respect to such suits include:

claims for damages caused by misleading information contained in a securities statement;

claims for damages caused by the filing of a misleading business report, semi-annual report, or quarterly report;

claims for damages caused by insider trading or market manipulation; and

claims instituted against auditors for damages caused by accounting irregularities.

Any such class action may be instituted upon approval from the presiding court and the outcome of such class action will have a binding effect on all potential plaintiffs who have not joined the action, with the exception of those who have filed an opt out notice with such court.

Table of Contents

Principal Regulations Applicable to Financial Investment Companies with a Dealing and/or Brokerage License

General

Beginning in February 2009, the Financial Investment Services and Capital Markets Act regulates and governs the financial investment business, including the brokerage business. The entities that regulate and supervise financial investment companies with a dealing and/or brokerage license are the Financial Services Commission, the Financial Supervisory Service and the Securities and Futures Commission.

Under the Financial Investment Services and Capital Markets Act, a company must obtain a license from the Financial Services Commission to commence a financial investment business such as a brokerage business, a dealing business or an underwriting business. A financial investment company with a dealing and/or brokerage license may also engage in certain businesses ancillary to that business without obtaining any separate license and certain other businesses if it obtains separate licenses from the Financial Services Commission. A financial investment company must also obtain approval from the Financial Services Commission to merge with any other entity or transfer all or a part of its business.

If the Financial Services Commission deems a financial investment company's financial condition to be unsound or if a financial investment company fails to meet the applicable net operating equity ratio (as defined below), the Financial Services Commission may order the financial investment company to:

increase or reduce its capital;

cancel or consolidate its stock;

transfer all or part of its business;

close branch offices;

merge with another financial institution;

suspend a part or all of its business operations; or

assign contractual rights and obligations relating to its financial transactions.

Regulations on Financial Soundness

The Financial Services Commission regulations require that the financial soundness of a financial investment company be assessed in accordance with its net operating equity ratio, which is calculated as follows and expressed as a percentage:

$$\text{Net operating equity ratio} = (\text{net operating equity} / \text{total risk}) \times 100$$

The terms net operating equity and total risk for the purpose of the above formula are defined in the Financial Services Commission's regulations. Generally, the net operating equity and the total risk are calculated according to the following formulas:

$$\text{Net operating equity} = \text{net assets (total assets - total liabilities) - total deductible items} + \text{total creditable items}$$

$$\text{Total risk} = \text{market risk} + \text{credit risk} + \text{operational risk}$$

The regulations require that financial investment companies maintain their net operating equity ratio at a level equal to or higher than 150%.

Table of Contents

Other Provisions on Financial Soundness

The Financial Investment Services and Capital Markets Act, the Enforcement Decree of the Financial Investment Services and Capital Markets Act and Financial Services Commission regulations also include provisions designed to regulate certain types of activities relating to the management of the assets of a financial investment company. These provisions include:

restrictions on the holdings by a financial investment company with a dealing and/or brokerage license of securities issued by another company which is the largest shareholder or the major shareholder (each as defined under the Financial Investment Services and Capital Markets Act) of that financial investment company;

restrictions on providing money or credit to the largest shareholder, major shareholder, officers and related persons of the financial investment company; and

special provisions concerning payment guarantees by a financial investment company with a dealing and/or brokerage license. For instance, a financial investment company with a dealing and/or brokerage license may not provide payment guarantees for major shareholders (as defined in the Financial Investment Services and Capital Markets Act) other than its overseas subsidiaries or provide new guarantees for corporate bonds, other than, subject to certain restrictions, roll-over guarantees in connection with the repayment of bonds previously guaranteed by it.

Business Conduct Rules

Pursuant to the Financial Investment Services and Capital Markets Act, financial investment companies are required to comply with certain business conduct rules. These rules impose greater responsibilities on financial investment companies, strictly banning certain unfair practices and ensuring that the potential investors solicited by financial investment companies are suitable.

Disclosure and Reports

Pursuant to the Financial Investment Services and Capital Markets Act, a financial investment company with a dealing and/or brokerage license is required to disclose certain material matters, including:

its financial condition, including profit and loss;

any sanctions levied on it under the Financial Investment Services and Capital Markets Act or any corrective measures or sanctions under the Law on Improvement of Structure of Financial Industry; and

the occurrence of any matters which may have a material adverse effect on its operation or management.

A financial investment company must submit a report on its financial results to the Financial Services Commission within 45 days from the end of each quarter.

Financial Investment Services and Capital Markets Act

General

In July 2007, the National Assembly of Korea passed the Financial Investment Services and Capital Markets Act, a new law intended to enhance the integration of the Korean capital markets and financial investment products industry. The Financial Investment Services and Capital Markets Act became effective as of February 4, 2009.

Consolidation of Capital Markets-Related Laws

Prior to the effectiveness of the Financial Investment Services and Capital Markets Act, different laws regulated different types of financial institutions. By applying a uniform set of rules to the same financial business having the same economic function, the Financial Investment Services and Capital Markets Act aims to

Table of Contents

address the issues caused by the previous regulatory system under which the same economic function relating to capital markets-related businesses was governed by multiple regulations. The Financial Investment Services and Capital Markets Act categorizes financial investment businesses into six different functions:

dealing, trading and underwriting of financial investment products (as defined below);

brokerage of financial investment products;

establishment of collective investment schemes and the management thereof;

investment advice;

discretionary investment management; and

trusts (together with the five businesses set forth above, the Financial Investment Businesses).

Accordingly, all financial businesses relating to financial investment products have been reclassified as one or more of the financial investment businesses listed above, and financial institutions are subject to the regulations applicable to their relevant financial investment businesses, regardless of the type of the financial institution it may be. For example, under the Financial Investment Services and Capital Markets Act, derivative businesses conducted by former securities companies and future companies will be subject to the same regulations.

Banking and insurance businesses are not subject to the Financial Investment Services and Capital Markets Act and will continue to be regulated under separate laws. However, they may become subject to the Financial Investment Services and Capital Markets Act if their activities involve any financial investment businesses requiring a license pursuant to the Financial Investment Services and Capital Markets Act.

Comprehensive Definition of Financial Investment Products

In an effort to encompass the various types of securities and derivative products available in the capital markets, the Financial Investment Services and Capital Markets Act sets forth a comprehensive term financial investment products, defined to mean all financial products carrying a risk of loss of the invested amount. Financial investment products are classified into two major categories: (i) securities (financial investment products in which the risk of loss is limited to the invested amount) and (ii) derivatives (financial investment products in which the risk of loss may exceed the invested amount). As a result of the general and broad definition of financial investment products, a variety of financial products may be defined as a financial investment product, which would enable Financial Investment Companies (defined below) to handle a broader range of financial products. Under the Financial Investment Services and Capital Markets Act, entities formerly licensed as securities companies, asset management companies, future companies and other entities engaging in any Financial Investment Business are classified as Financial Investment Companies.

New License System and the Conversion of Existing Licenses

Under the Financial Investment Services and Capital Markets Act, Financial Investment Companies are able to choose the type of Financial Investment Business in which to engage (through a check the box method set forth in the relevant license application), by specifying the desired (i) financial investment business, (ii) financial investment product and (iii) target customers to which financial investment products may be sold or distributed (that is, general investors or professional investors). Licenses will be issued under the specific business sub-categories described in the foregoing sentence. For example, it would be possible for a Financial Investment Company to obtain a license to engage in the financial investment business of (i) dealing (ii) over the counter derivatives products or (iii) only with sophisticated investors.

Financial institution that engage in business activities constituting a financial investment business are required to take certain steps, such as renewal of their license or registration, in order to continue engaging in such business activities. Financial institutions that are not licensed

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

Financial Investment Companies are not permitted to engage in any Financial Investment Business, subject to the following exceptions: (i) banks and insurance companies are permitted to engage in certain categories of Financial Investment Businesses for a

Table of Contents

period not exceeding six months commencing on the effective date of the Financial Investment Services and Capital Markets Act; and (ii) other financial institutions that engaged in any Financial Investment Business prior to the effective date of the Financial Investment Services and Capital Markets Act (whether in the form of a concurrent business or an incidental business) are permitted to continue such Financial Investment Business for a period not exceeding six months commencing on the effective date of the Financial Investment Services and Capital Markets Act.

Expanded Business Scope of Financial Investment Companies

Under the previous regulatory regime in Korea, it was difficult for a financial institution to explore a new line of business or expand upon its existing line of business. For example, previously a financial institution licensed as a securities company generally was not permitted to engage in the asset management business. In contrast, under the Financial Investment Services and Capital Markets Act, pursuant to the integration of its current businesses involving financial investment products into a single Financial Investment Business, a licensed Financial Investment Company is permitted to engage in all types of Financial Investment Businesses, subject to satisfying relevant regulations (for example, maintaining an adequate Chinese Wall, to the extent required). As to incidental businesses (that is, a financial related business which is not a Financial Investment Business), the Financial Investment Services and Capital Markets Act generally allows a Financial Investment Company to freely engage in such incidental businesses by shifting away from the previous positive-list system towards a more comprehensive system. In addition, a Financial Investment Company is permitted to (i) outsource marketing activities by contracting introducing brokers that are individuals but not employees of the Financial Investment Company, (ii) engage in foreign exchange business related to their Financial Investment Business and (iii) participate in the settlement network, pursuant to an agreement among the settlement network participants.

Improvement in Investor Protection Mechanism

While the Financial Investment Services and Capital Markets Act widens the scope of financial businesses in which financial institutions are permitted to engage, a more rigorous investor-protection mechanism is also imposed upon Financial Investment Companies dealing in financial investment products. The Financial Investment Services and Capital Markets Act distinguishes general investors from sophisticated investors and provides new or enhanced protections to general investors. For instance, the Financial Investment Services and Capital Markets Act expressly provides for a strict know-your-customer rule for general investors and imposes an obligation that Financial Investment Companies should market financial investment products suitable to each general investor, using written explanatory materials. Under the Financial Investment Services and Capital Markets Act, a Financial Investment Company could be liable if a general investor proves (i) damage or losses relating to such general investor's investment in financial investment products solicited by such Financial Investment Company and (ii) absence of the requisite written explanatory materials, without having to prove fault or causation. With respect to any conflicts of interest between Financial Investment Companies and investors, the Financial Investment Services and Capital Markets Act expressly requires (i) disclosure of any conflict of interest to investors and (ii) mitigation of conflicts of interest to a comfortable level or abstention from the relevant transaction.

Other Changes to Securities / Fund Regulations

The Financial Investment Services and Capital Markets Act changed various securities regulations including those relating to public disclosure, insider trading and proxy contests, which were previously governed by the Securities Exchange Act of 1934, as amended (the Exchange Act). For example, the 5% and 10% reporting obligations under the Exchange Act have become more stringent. The Indirect Investment and Asset Management Business Act strictly limited the kind of vehicles that could be utilized under a collective investment scheme, restricting the range of vehicles to trusts and corporations, and the type of funds that can be used for investments. However, under the Financial Investment Services and Capital Markets Act, these restrictions have been significantly liberalized, permitting all vehicles that may be created under Korean law, such as limited liability companies or partnerships, to be used for the purpose of collective investments and investment funds to be more flexible as to their investments.

Table of Contents**Item 4C. Organizational Structure**

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

(1) Classified as discontinued operations.

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

Our largest subsidiary is Woori Bank, the assets of which represented approximately 69.2% of our total assets as of December 31, 2013. The following table sets forth the contributions of Woori Bank, other subsidiaries and discontinued operations to our total assets and net income, including discontinued operations, as of and for the year ended December 31, 2013 (after allocating eliminations for consolidation, inter-segment transactions and certain differences in classification under our management reporting system for assets and net income in proportion to total assets and absolute net income, respectively):

Subsidiary	As of or for the year ended December 31, 2013		
	Total Assets ⁽¹⁾		Net Income ⁽²⁾
	Amount	% of Total (in billions of Won, except percentages)	
Woori Bank	235,904	69.2%	466
Others	22,632	6.6	(213)
Discontinued operations	82,154	24.2	(966)
Total	340,690	100.0%	(713)

(1) After allocating eliminations of 20,336 billion representing consolidation, inter-segment transactions and certain differences in classification under our management reporting system. This amount has been allocated in proportion to the ratio of segment assets before eliminations to total assets before eliminations. See Note 5 of the notes to our consolidated financial statements.

(2) After allocating a loss of 827 billion representing inter-segment transactions and certain differences in classification under our management reporting system. This amount has been allocated to Woori Bank and discontinued operations as applicable, with the remainder allocated to Others.

Woori Bank

Established in December 1998, Woori Bank (formerly known as Hanvit Bank) was formed as a result of the merger of two nationwide commercial banks, the Commercial Bank of Korea (established in 1899) and Hanil Bank (established in 1932). Woori Bank provides a wide range of banking and other financial services to large corporations, small- and medium-sized enterprises and individuals in Korea. As of December 31, 2013, Woori Bank was the second-largest commercial bank in Korea based upon total assets (including loans) and deposits. As of December 31, 2013, Woori Bank had approximately 19 million customers, with 989 branches nationwide.

Table of Contents**Other Subsidiaries**

The following table provides summary information regarding our other significant subsidiaries (other than structured companies, and excluding discontinued operations) as of or for the year ended December 31, 2013:

Subsidiary	Percentage of Ownership	Total Assets	Stockholders Equity (in millions of Won)	Operating Revenue	Net Income
Woori Card Co., Ltd.	100.0%	4,679,202	1,103,874	800,352	47,998
Woori Private Equity Co., Ltd.	100.0%	89,945	40,810	5,008	(19,303)
Woori FIS Co., Ltd.	100.0%	332,223	37,635	311,660	(2,054)
Woori Investment Bank., Ltd	41.6%	867,279	68,619	141,320	(97,287)
Woori Finance Research Institute Co., Ltd	100.0%	3,739	3,199	6,656	611

Discontinued operations

The following table provides summary information regarding entities classified and accounted for as discontinued operations as of or for the year ended December 31, 2013. See Item 4A. History and Development of the Company Privatization Plan.

Subsidiary	Percentage of Ownership ⁽¹⁾	Total Assets	Stockholders Equity (in millions of Won)	Operating Revenue	Net Income
Kwangju Bank	100.0%	18,872,965	1,444,270	1,007,156	61,030
Kyongnam Bank	100.0%	31,714,227	2,260,283	1,698,639	130,181
Woori Asset Management Co., Ltd.	100.0%	85,169	67,964	31,527	4,179
Woori F&I Co., Ltd.	100.0%	1,641,240	305,528	184,406	49,115
Woori FG Savings Bank	100.0%	822,887	123,600	84,875	(33,515)
Woori Financial Co., Ltd. ⁽²⁾	52.0%	3,939,851	412,266	338,010	54,143
Woori Aviva Life Insurance Co., Ltd.	51.6%	4,466,178	157,094	981,778	2,247
Woori Investment & Securities Co., Ltd.	37.9%	29,981,804	3,447,452	4,027,395	48,094

(1) Including both direct and indirect ownership.

(2) On March 20, 2014, we sold our ownership interest in Woori Financial to KB Financial Group Inc. See Item 4A. History and Development of the Company Privatization Plan Disposal of Woori Financial, Woori Asset Management, Woori F&I, Woori Investment & Securities, Woori Aviva Life Insurance and Woori FG Savings Bank.

Item 4D. Property, Plants and Equipment

Our registered office and corporate headquarters, with a total area of approximately 97,222 square meters, are located at 51, Sogong-ro, Jung-gu, Seoul, Korea. Information regarding certain of our properties in Korea (excluding discontinued operations) as of December 31, 2013 is presented in the following table:

Type of Facility/Building	Location	Area (square meters)
Woori Finance Holdings and Woori Bank registered office and corporate headquarters	51, Sogong-ro, Jung-gu, Seoul, Korea 100-792	97,222
Woori FIS registered office and corporate headquarters	17, World Cup buk-ro 60-gil, Mapo-gu, Seoul, Korea 121-921	40,737

As of December 31, 2013, Woori Bank had a network of 989 banking branches in Korea, approximately 260 of which are housed in buildings owned by us, while the remaining branches are leased properties. Lease terms are generally from two to three years and seldom exceed five

years. We also have subsidiaries in the United States, China, Hong Kong, Russia, Indonesia and Brazil and branches, agencies and representative offices in Asia, the United States and Europe. We do not own any material properties outside of Korea.

Table of Contents

The net book value of all the properties owned by us as of December 31, 2013 was 2,536 billion (excluding discontinued operations).

Item 4.A. UNRESOLVED STAFF COMMENTS

We do not have any unresolved comments from the U.S. Securities and Exchange Commission staff regarding our periodic reports under the Exchange Act.

Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

**Item 5A. *Operating Results*
Overview**

The following discussion is based on our consolidated financial statements, which have been prepared in accordance with IFRS as issued by the IASB. The consolidated financial statements include the accounts of subsidiaries over which substantive control is exercised through either majority ownership of voting stock and/or other means. Investments in joint ventures and associates (companies over which we have the ability to exercise significant influence) are accounted for by the equity method of accounting and are reported in other investment assets.

Trends in the Korean Economy

Our financial position and results of operations have been and will continue to be significantly affected by financial and economic conditions in Korea. Substantial growth in lending in Korea to small- and medium-sized enterprises in recent years, and financial difficulties experienced by such enterprises as a result of, among other things, adverse economic conditions in Korea and globally, have generally led to increasing delinquencies and a deterioration in overall asset quality in the credit exposures of Korean banks to small- and medium-sized enterprises. In 2013, we recorded charge-offs of 517 billion in respect of our Won-denominated loans to small- and medium-sized enterprises, compared to charge-offs of 643 billion in 2012 (in each case excluding discontinued operations). In light of the difficult financial condition and liquidity position of small- and medium-sized enterprises in Korea since the second half of 2008, the Korean government introduced measures intended to encourage Korean banks to provide financial support to small- and medium-sized enterprise borrowers. See Item 3D. Risk Factors Risks relating to our corporate credit portfolio The largest portion of our exposure is to small- and medium-sized enterprises, and financial difficulties experienced by companies in this segment may result in a deterioration of our asset quality and have an adverse impact on us.

In recent years, commercial banks, consumer finance companies and other financial institutions in Korea have also made significant investments and engaged in aggressive marketing in consumer lending (including mortgage and home equity loans), leading to substantially increased competition in this segment. The rapid growth in consumer loans, together with adverse economic conditions in Korea, have generally led to increasing delinquencies and a deterioration in asset quality. In 2013, we recorded charge-offs of 180 billion and provisions for credit losses of 238 billion in respect of our consumer loan portfolio, compared to charge-offs of 190 billion and provisions for credit losses of 242 billion in 2012 (in each case including discontinued operations). See Item 3D. Risk Factors Risks relating to our consumer credit portfolio.

The Korean economy is closely tied to, and is affected by developments in, the global economy. While the rate of deterioration of the global economy since the commencement of the global financial crisis in 2008 has slowed with some signs of stabilization and improvement, the overall prospects for the Korean and global economy in the remainder of 2014 and beyond remain uncertain. Starting in the second half of 2011, the global financial markets have experienced significant volatility as a result of, among other things, the financial difficulties affecting many governments worldwide, in particular in Cyprus, Greece, Spain, Italy and Portugal, and the slowdown of economic growth in major emerging market economies, as well as concerns regarding the potential economic impact of the recently commenced scale-down by the U.S. Federal Reserve Board of its quantitative easing stimulus program. In addition, continuing negotiations regarding Iran's nuclear program

Table of Contents

and sanctions adopted by the international community in response, as well as political and social instability in the Ukraine and in various countries in the Middle East and Northern Africa, including in Syria, Egypt and Libya, have resulted in volatility and uncertainty in the global energy markets. Furthermore, in response to China's slowing gross domestic product growth rates that began in 2011, the Chinese government has implemented stimulus measures, but the overall impact of such measures remains uncertain. In light of the high level of interdependence of the global economy, any of the foregoing developments could have a material adverse effect on the Korean economy and financial markets, and in turn on our business, financial condition and results of operations.

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

As a result of volatile conditions and weakness in the Korean and global economies, as well as factors such as the uncertainty surrounding the global financial markets, fluctuations in oil and commodity prices, interest and exchange rate fluctuations, higher unemployment, lower consumer confidence, increases in inflation rates, potential tightening of fiscal and monetary policies and continued tensions with North Korea, the economic outlook for the financial services sector in Korea in 2014 and for the foreseeable future remains uncertain.

Privatization Plan

The Korean government, which currently owns 56.97% of our outstanding common stock through the KDIC, is in the process of implementing a privatization plan with respect to us and our subsidiaries. Pursuant to such plan, in May 2014, we plan to establish two new companies, KJB Financial Group Co., Ltd. and KNB Financial Group Co., Ltd., through a spin-off of our businesses related to the holding of the shares and thereby controlling the business operations of Kwangju Bank and Kyongnam Bank, respectively. As a result of such spin-off, KJB Financial Group will own the shares of Kwangju Bank currently held by us, and KNB Financial Group will own the shares of Kyongnam Bank currently held by us. We will no longer own any shares of Kwangju Bank or Kyongnam Bank, and neither they nor their new holding companies will be our subsidiaries, after the spin-off. In addition, in March 2014, we sold our 52% ownership interest in Woori Financial to KB Financial Group Inc. We also entered into share purchase agreements for (i) the sale of our 100% ownership interest in Woori Asset Management to Kiwoom Securities Co., Ltd. in February 2014, (ii) the sale of our 100% ownership interest in Woori F&I to Daishin Securities Co., Ltd. in April 2014 and (iii) the collective sale of our 37.9% ownership interest in Woori Investment & Securities, 51.6% ownership interest in Woori Aviva Life Insurance and 100% ownership interest in Woori FG Savings Bank to NongHyup Financial Group Inc. in April 2014. See Item 4A. History and Development of the Company Privatization Plan. In light of such planned dispositions, Kwangju Bank, Kyongnam Bank, Woori Investment & Securities, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I have been classified as a disposal group held for distribution or sale, and their operations have been accounted for as discontinued operations, in our consolidated financial statements as of and for the year ended December 31, 2013 included in this annual report. Similarly, our consolidated statements of comprehensive income for the years ended December 31, 2011 and 2012 included in this annual report have been restated to account for such entities as discontinued operations. However, our consolidated statements of financial position as of December 31, 2011 and 2012 included in this annual report have not been so restated. Accordingly, unless expressly stated otherwise, our financial information as of December 31, 2013 and for the years ended December 31, 2011, 2012 and 2013 appearing below does not include financial data with respect to such discontinued operations, while our financial

Table of Contents

information as of December 31, 2011 and 2012 appearing below includes financial data with respect to such discontinued operations. As a result, our financial information as of December 31, 2013 and for the years ended December 31, 2011, 2012 and 2013 may not be directly comparable to our financial information as of and for other dates and periods. For further information regarding such discontinued operations, see Notes 46 and 47 of the notes to our consolidated financial statements included elsewhere in this annual report.

Acquisitions

We acquired certain assets and assumed certain liabilities of Samhwa Mutual Savings Bank in March 2011 and Solomon Savings Bank in September 2012 through our wholly-owned subsidiary Woori FG Savings Bank, and injected 110 billion of new capital in March 2011 and an additional 100 billion of new capital in September 2012 into Woori FG Savings Bank.

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

Changes in Accounting Policies

Pursuant to the adoption of IFRS 10, Consolidated Financial Statements, which is effective beginning in 2013, our consolidated financial statements as of and for the year ended December 31, 2013 include trust accounts for which we guarantee only the repayment of principal, as well as certain other entities, which were not previously subject to consolidation, while excluding certain other entities that were previously consolidated. Our consolidated financial statements as of and for the year ended December 31, 2012 (but not as of and for the year ended December 31, 2011) have been restated to retroactively apply this change.

In addition, pursuant to an amendment to IAS 19, Employee Benefits, which is effective beginning in 2013, our consolidated financial statements as of and for the year ended December 31, 2013 reflect changes in the methodology for recognition and measurement of actuarial gains and losses and expected returns and service costs relating to our employee pension plans. Our consolidated financial statements as of and for the years ended December 31, 2011 and 2012 have been restated to retroactively apply such changes.

For further information regarding these and other changes to our accounting policies and their effect on our consolidated financial statements, see Note 2-(1) of the notes to our consolidated financial statements included elsewhere in this annual report.

Changes in Securities Values, Exchange Rates and Interest Rates

Fluctuations of exchange rates, interest rates and stock prices affect, among other things, the demand for our products and services, the value of and rate of return on our assets, the availability and cost of funding and the financial condition of our customers. The following table shows, for the dates indicated, the stock price index of all equities listed on the KRX KOSPI Market as published in the KOSPI, the Won to U.S. dollar exchange rates and benchmark Won borrowing interest rates.

	June 30, 2009	Dec. 31, 2009	June 30, 2010	Dec. 31, 2010	June 30, 2011	Dec. 31, 2011	June 30, 2012	Dec. 31, 2012	June 30, 2013	Dec. 31, 2013
KOSPI	1,390.07	1,682.77	1,698.29	2,051.0	2,100.69	1,825.12	1,854.01	1,997.05	1,863.32	2,011.34
/US\$ exchange rates ⁽¹⁾	1,273.5	1,163.7	1,273.5	1,163.7	1,066.3	1,158.5	1,141.17	1,063.24	1,141.45	1,055.25
Corporate bond rates ⁽²⁾	5.6%	5.7%	5.0%	4.3%	4.5%	4.2%	3.9%	3.4%	3.5%	3.6%
Treasury bond rates ⁽³⁾	4.2%	4.4%	3.9%	3.4%	3.8%	3.3%	3.3%	2.8%	2.9%	2.8%

(1) Represents the noon buying rate on the dates indicated.

(2) Measured by the yield on three-year Korean corporate bonds rated as A+ by the Korean credit rating agencies.

(3) Measured by the yield on three-year treasury bonds issued by the Ministry of Strategy and Finance of Korea.

Table of Contents

Critical Accounting Policies

The notes to our consolidated financial statements contain a summary of our significant accounting policies, including a discussion of recently issued accounting pronouncements. Certain of these policies are critical to the portrayal of our financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. We discuss these critical accounting policies below.

Impairment of Loans and Allowance for Credit Losses

We evaluate our loans and receivables portfolio for impairment on an ongoing basis. We have established an allowance for credit losses, which is available to absorb probable losses that have been incurred in our loans and receivables portfolio as of the date of the statement of financial position. If we believe that additions or changes to the allowance for credit losses are required, we record provisions for credit losses (as part of our impairment loss for credit loss), which are treated as charges against current income. Loan exposures that we deem to be uncollectible, including actual loan losses, net of recoveries of previously written-off amounts, are charged directly against the allowance for credit losses.

Our accounting policies for losses arising from the impairment of loans and receivables and our allowance for credit loss are described in Notes 2-(9)-6) and 3-(4) of the notes to our consolidated financial statements. We base the level of our allowance for credit losses on an evaluation of the risk characteristics of our loan portfolio. The evaluation considers factors such as historical loss experience, the financial condition of our borrowers and current economic conditions.

Our allowance for credit losses represents our management's best estimate of losses incurred in the loans and receivables portfolio as of the date of the statement of financial position. Our management is required to exercise judgment in making assumptions and estimates when calculating the allowance for credit losses on both individually and collectively assessed loans and advances.

The determination of the allowance required for loans and receivables that are deemed to be individually significant often requires the use of considerable management judgment concerning such matters as economic conditions, the financial performance of the counterparty and the value of any collateral held for which there may not be a readily accessible market. Once we have identified loans and receivables as impaired, we generally value them based on the present value of expected future cash flows discounted at the original effective interest rate of the applicable loan or receivable and compare such present value against the carrying amount of such loan or receivable, which amount is subject to various estimates by our management such as the operating cash flow of the borrower, net realizable value of any collateral held and the timing of anticipated receipts. The actual amount of the future cash flows and their timing may differ from the estimates used by our management and consequently may cause actual losses to differ from the reported allowances.

The allowance for portfolios of smaller-balance homogenous loans and receivables, such as those to individuals and small business customers, and for those loans which are individually significant but for which no objective evidence of impairment exists, is determined on a collective basis. The collective allowance is calculated on a portfolio basis using statistical methodology based on our historical loss experience, which incorporates numerous estimates and judgments. We perform a regular review of the models and underlying data and assumptions.

Our consolidated financial statements for the year ended December 31, 2013 included a total allowance for credit losses of 3,648 billion (excluding discontinued operations) as of that date. We recorded provisions for credit losses of 2,199 billion (excluding discontinued operations) in 2013.

We believe that the accounting estimates related to impairment of loans and receivables and our allowance for credit losses are a critical accounting policy because: (1) they are highly susceptible to change from period to period because they require us to make assumptions about future default rates and losses relating to our loan portfolio; and (2) any significant difference between our estimated losses on loans and receivables (as reflected in our allowance for credit losses) and actual losses on loans and receivables could require us to record additional

Table of Contents

provisions for credit losses which, if significant, could have a material impact on our profit. Our assumptions about estimated losses require significant judgment because actual losses have fluctuated in the past and are expected to continue to do so, based on a variety of factors.

Valuation of Financial Assets and Liabilities

Our accounting policy for determining the fair value of financial assets and liabilities is described in Notes 2-(9)-5), 3-(3) and 11 of the notes to our consolidated financial statements.

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial asset or liability is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data and, as such, the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgment to calculate a fair value than those based wholly on observable inputs.

Valuation techniques used to calculate fair values are discussed in Notes 2-(9)-5) and 11 of the notes to our consolidated financial statements. The main assumptions and estimates which our management considers when applying a model with valuation techniques are:

The likelihood and expected timing of future cash flows on the instrument. These cash flows are usually governed by the terms of the instrument, although judgment may be required when the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt. Future cash flows may be sensitive to changes in market rates.

Selecting an appropriate discount rate for the instrument. The determination of this rate is based on an assessment of what a market participant would regard as the appropriate spread of the rate for the instrument over the appropriate risk-free rate.

Judgment to determine what model to use to calculate fair value in areas where the choice of valuation model is particularly subjective (for example, valuation of complex derivative products).

The financial instruments carried at fair value have been categorized under the three levels of the IFRS fair value hierarchy as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value is a market-based measure considered from the perspective of a market participant. As such, even when market assumptions are not readily available, our own assumptions are intended to reflect those that market participants would use in pricing the asset or liability at the measurement date.

Our consolidated financial statements for the year ended December 31, 2013 included financial assets measured at fair value using a valuation technique of 38,425 billion, including discontinued operations, representing 79.8% of total financial assets measured at fair value, and financial liabilities measured at fair value using a valuation technique of 11,456 billion, including discontinued operations, representing 91.0% of total financial liabilities measured at fair value. As used herein, the fair value using a valuation technique means the fair value at Level 2 and Level 3 in the fair value hierarchy.

Table of Contents

We believe that the accounting estimates related to the determination of the fair value of financial instruments are a critical accounting policy because: (1) they may be highly susceptible to change from period to period based on factors beyond our control; and (2) any significant difference between our estimate of the fair value of these financial instruments on any particular date and either their estimated fair value on a different date or the actual proceeds that we receive upon sale of these financial instruments could result in valuation losses or losses on disposal which may have a material impact on our profit. Our assumptions about the fair value of financial instruments we hold require significant judgment because actual valuations have fluctuated in the past and are expected to continue to do so, based on a variety of factors.

Deferred Tax Assets

Our accounting policy for the recognition of deferred tax assets is described in Notes 2-(23) and 3-(2) of the notes to our consolidated financial statements.

The recognition of deferred tax assets relies on an assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies.

We recognize deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and unused tax credits. Deferred tax assets are recognized only to the extent it is probable that sufficient taxable profit will be available against which those deductible temporary differences, unused tax losses or unused tax credits can be utilized. This assessment requires significant management judgment and assumptions. In determining the amount of deferred tax assets, we use forecasted operating results, which are based on historical financial performance, approved business plans, including a review of the eligible carry-forward periods, available tax planning opportunities and other relevant considerations.

Our consolidated financial statements for the year ended December 31, 2013 included deferred tax assets and liabilities of 155 billion and 49 billion, respectively, as of that date (excluding discontinued operations).

We believe that the estimates related to our recognition and measurement of deferred tax assets are a critical accounting policy because: (1) they may be highly susceptible to change from period to period based on our assumptions regarding our future profitability; and (2) any significant difference between our estimates of future profits on any particular date and estimates of such future profits on a different date could result in an income tax expense or benefit which may have a material impact on our net income from period to period. Our assumptions about our future profitability require significant judgment and are inherently subjective.

Goodwill

Our accounting policy for goodwill is described in Notes 2-(13), 3-(1) and 15 of the notes to our consolidated financial statements.

Goodwill is recognized as the excess of (i) the sum of the consideration transferred and the amount of any non-controlling interest in the acquiree over (ii) the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed. If the net amount of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed exceeds the sum of the consideration transferred and the amount of any non-controlling interest in the acquiree, such excess is recognized as a gain as of the acquisition date.

Goodwill is not depreciated and is stated at cost less accumulated impairment losses. However, goodwill that forms part of the carrying amount of an investment in an associate or a joint venture is not separately recognized and an impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate or the joint venture.

The review of goodwill impairment reflects our management's best estimate of the certain factors. For example:

The future cash flows of the cash generating units, or CGUs, are sensitive to the cash flows projected for the periods for which detailed forecasts are available and to assumptions regarding the long-term pattern

Table of Contents

of sustainable cash flows thereafter. Forecasts are compared with actual performance and verifiable economic data, but they necessarily and appropriately reflect our management's view of future business prospects at the time of the assessment. See Note 15 of the notes to our consolidated financial statements for a list of our CGUs for impairment testing.

The rates used to discount future expected cash flows are based on the costs of capital assigned to individual CGUs and can have a significant effect on their valuation. The cost of capital percentage is generally derived from a Capital Asset Pricing Model, which incorporates inputs reflecting a number of financial and economic variables, including the risk-free interest rate in the country concerned and a premium for the inherent risk of the business being evaluated. These variables are subject to fluctuations in external market rates and economic conditions beyond our control and therefore require the exercise of significant judgment and are consequently subject to uncertainty.

A decline in a CGU's expected cash flows or an increase in its cost of capital reduces the CGU's estimated recoverable amount. If this is lower than the carrying value of the CGU, a charge for impairment of goodwill is recognized in the statement of comprehensive income for the year.

The accuracy of forecast cash flows is subject to a high degree of uncertainty in volatile market conditions. In such market conditions, our management retests goodwill for impairment more frequently than once a year to ensure that the assumptions on which the cash flow forecasts are based continue to reflect current market conditions and management's best estimate of future business prospects.

During 2013, 41 billion of impairment of goodwill, primarily relating to Woori FG Savings Bank, was identified, while 91 billion of goodwill was reclassified into discontinued operations. As a result, our consolidated financial statements for the year ended December 31, 2013 included no goodwill as of that date (excluding discontinued operations).

We believe that the accounting estimates related to the fair values of our acquired goodwill are a critical accounting policy because: (1) they may be highly susceptible to change from period to period since they require assumptions about future cash flows, run-off rates and profitability; and (2) any significant changes in our estimates from period to period could result in the recognition of impairment losses which may have a material impact on our net income. Our assumptions about estimated future cash flows, run-off rates and profitability require significant judgment and the fair values of the goodwill could fluctuate in the future, based on a variety of factors.

Results of Operations

Unless otherwise indicated, the amounts set forth below exclude the results of operations of certain subsidiaries classified as discontinued operations. See Overview Privatization Plan.

Table of Contents**Net Interest Income**

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

	2011	Year ended December 31,		Percentage change	
		2012 ⁽¹⁾	2013 ⁽¹⁾	2012/2011	2013/2012
	(in billions of Won)			(%)	
Interest income					
Due from banks	53	109	120	105.7%	10.1%
Loans	9,645	9,363	8,350	(2.9)	(10.8)
Financial assets at fair value through profit or loss	292	326	109	11.6	(66.6)
Investment financial assets ⁽²⁾	991	1,013	860	2.3	(15.1)
Other assets	114	80	54	(29.8)	(32.5)
Total interest income	11,095	10,891	9,493	(1.8)	(12.8)
Interest expense					
Deposits	4,511	4,506	3,650	(0.1)	(19.0)
Borrowings	362	315	254	(13.0)	(19.4)
Debentures	1,234	1,112	961	(9.9)	(13.6)
Others	99	110	136	11.1	23.6
Total interest expense	6,206	6,043	5,001	(2.6)	(17.2)
Net interest income	4,889	4,848	4,492	(0.8)	(7.3)
Net interest margin⁽³⁾	2.14%	2.07%	1.94%		

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

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

(3) The ratio of net interest income to average interest-earning assets.

Comparison of 2013 to 2012

Interest income. Interest income decreased 12.8% from 10,891 billion in 2012 to 9,493 billion in 2013, primarily as a result of a 10.8% decrease in interest on loans, which was enhanced by a 66.6% decrease in interest on financial assets at fair value through profit or loss. The average balance of our interest-earning assets decreased 1.3% from 234,656 billion in 2012 to 231,529 in 2013, principally due to a decrease in the average balance of our financial assets at fair value through profit and loss. The effect of this decrease was enhanced by a 54 basis point decrease in the average yield on our interest-earning assets from 4.64% in 2012 to 4.10% in 2013, which reflected a decrease in the general level of interest rates in Korea in 2013 compared to 2012.

The 10.8% decrease in interest on loans from 9,363 billion in 2012 to 8,350 billion in 2013 was primarily due to:

an 80 basis point decrease in the average yield on commercial and industrial loans from 5.70% in 2012 to 4.90% in 2013, which was partially offset by a 3.1% increase in the average volume of such loans from 80,377 billion in 2012 to 82,875 billion in 2013; and

a 68 basis point decrease in the average yield of general purpose household loans (including home equity loans) from 5.26% in 2012 to 4.58% in 2013, which was enhanced by a 3.4% decrease in the average volume of such loans from 60,840 billion in 2012 to 58,770

billion in 2013.

The effect of the above decreases was partially offset by a 55.2% increase in the average volume of mortgage loans from 10,296 billion in 2012 to 15,979 billion in 2013, which in turn was partially offset by a 76 basis point decrease in the average yield on such loans from 5.05% in 2012 to 4.29% in 2013.

Table of Contents

The average yields on commercial and industrial loans, general purpose household loans (including home equity loans) and mortgage loans decreased mainly due to the decrease in the general level of interest rates in Korea in 2013. The increase in the average volume of commercial and industrial loans was primarily due to an increase in demand for working capital loans, reflecting increased demand from large corporate borrowers. The decrease in the average volume of general purpose household loans (including home equity loans) mainly reflected decreased demand for such loans among consumers in light of the continuing uncertainty in the Korean economy. The increase in the average volume of mortgage loans primarily reflected increased general demand for such loans from customers, including to finance home rentals in light of a continuing increase in rent levels (particularly key money deposit levels under the *jeonsae* system) in the Korean housing market in 2013, as well as a temporary increase in demand for such loans in the first half of 2013 in connection with the scheduled expiration of a temporary tax exemption on housing purchases in June 2013.

Overall, the average volume of our loans increased 2.2% from 179,788 billion in 2012 to 183,791 billion in 2013, and the average yield on our loans decreased 67 basis points, from 5.21% in 2012 to 4.54% in 2013.

Our financial assets portfolio consists primarily of investment financial assets, of which a majority was debt securities issued by government-owned or -controlled enterprises or financial institutions (including the Bank of Korea, the Korea Development Bank and the KDIC), as well as financial assets at fair value through profit or loss.

The 66.6% decrease in interest on financial assets at fair value through profit or loss from 326 billion in 2012 to 109 billion in 2013 resulted mainly from a 59.3% decrease in the average balance of such assets from 9,221 billion in 2012 to 3,753 billion in 2013, which was enhanced by a 64 basis point decrease in the average yield on such assets from 3.54% in 2012 to 2.90% in 2013. The decrease in the volume of financial assets at fair value through profit or loss mainly reflected a decrease in the volume of debt securities issued by corporations and financial institutions that we held as financial assets at fair value through profit or loss. The decrease in the average yield on financial assets at fair value through profit or loss was primarily due to an increase in the relative proportion of Korean government-issued debt securities we held as financial assets at fair value through profit or loss, which typically offer lower yields compared to other types of such financial assets held by us.

Interest on investment financial assets decreased 15.1% from 1,013 billion in 2012 to 860 billion in 2013, primarily due to a 50 basis point decrease in the average yield on such assets from 3.76% in 2012 to 3.26% in 2013, which was enhanced by a 2.3% decrease in the average balance of such assets from 26,973 billion in 2012 to 26,349 billion in 2013. The decrease in the average yield on investment financial assets resulted mainly from a decrease in the relative proportion of corporate bonds we held as investment financial assets, which typically offer higher yields compared to other types of such assets held by us. The decrease in the average balance of investment financial assets principally reflected a decrease in the volume of corporate bonds that we held as investment financial assets.

For further information regarding our interest income, see Note 33-(1) of the notes to our consolidated financial statements included elsewhere in this annual report.

Interest expense. Interest expense decreased 17.2% from 6,043 billion in 2012 to 5,001 billion in 2013, primarily due to a 19.0% decrease in interest expense on deposits as well as a 13.6% decrease in interest expense on debentures. The average balance of interest-bearing liabilities decreased 1.6% from 224,115 billion in 2012 to 220,635 billion in 2013, principally due to decreases in the average balances of deposits and borrowings. The effect of this decrease was enhanced by a decrease of 43 basis points in the average cost of interest-bearing liabilities from 2.70% in 2012 to 2.27% in 2013, which was driven mainly by a decrease in the average cost of deposits.

The 19.0% decrease in interest expense on deposits from 4,506 billion in 2012 to 3,650 billion in 2013 resulted mainly from an 18.2% decrease in interest expense on time and savings deposits from 4,119 billion in 2012 to 3,369 billion in 2013 and a 47.0% decrease in interest expense on other deposits from 336 billion in 2012 to 178 billion in 2013.

Table of Contents

The decrease in interest expense on time and savings deposits was mainly due to a 58 basis point decrease in the average cost of such deposits from 2.97% in 2012 to 2.39% in 2013, which was partially offset by a 1.7% increase in the average balance of such deposits from 138,660 billion in 2012 to 140,981 billion in 2013. The decrease in the average cost of time and savings deposits was primarily attributable to the decrease in the general level of interest rates in Korea in 2013, while the increase in the average volume of such deposits mainly reflected customers' continuing preference for low-risk products and institutions in Korea in light of the continuing uncertainty in financial markets in 2013.

The decrease in interest expense on other deposits was primarily the result of a 21.4% decrease in the average balance of such deposits from 18,131 billion in 2012 to 14,243 billion in 2013, principally due to decreases in deposits relating to notes payable and cash management accounts, which mainly reflected the discontinuation of the Bank's former deposit-taking operations of its merchant banking unit in 2013 due to the expiration of its relevant license. Such decrease was enhanced by a 60 basis point decrease in the average cost of such deposits from 1.85% in 2012 to 1.25% in 2013, mainly as a result of the lower interest rate environment in Korea in 2013.

Overall, the average volume of our deposits remained relatively stable at 167,126 billion in 2012 compared to 166,937 billion in 2013, while the average cost of our deposits decreased by 51 basis points from 2.70% in 2012 to 2.19% in 2013.

The 13.6% decrease in interest expense on debentures from 1,112 billion in 2012 to 961 billion in 2013 was primarily due to a 52 basis point decrease in the average cost of such deposits from 4.89% in 2012 to 4.37% in 2013, mainly caused by the lower interest rate environment in Korea in 2013. Such decrease was enhanced by a 3.2% decrease in the average balance of debentures from 22,721 billion in 2012 to 21,994 billion in 2013, mainly caused by a decrease in debentures in local currency due to the maturity in 2013 of a large amount of such debentures previously issued by us.

Interest expense on borrowings decreased 19.4% from 315 billion in 2012 to 254 billion in 2013, primarily due to a 12.1% decrease in the average balance of borrowings from 17,830 billion in 2012 to 15,678 billion in 2013, which principally reflected a decrease in borrowings in foreign currencies and call money in Won due mainly to our reduced reliance on such borrowings for our funding needs. Such decrease was enhanced by a 15 basis point decrease in the average cost of borrowings from 1.77% in 2012 to 1.62% in 2013, which was primarily due to the decrease in the general level of interest rates in Korea in 2013.

Net interest margin. Net interest margin represents the ratio of net interest income to average interest-earning assets. Our overall net interest margin decreased from 2.07% in 2012 to 1.94% in 2013, as our net interest income decreased 7.3% to 4,492 billion in 2013 compared to 4,848 billion in 2012, while the average balance of our interest-earning assets decreased 1.3% from 234,656 billion in 2012 to 231,529 billion in 2013. Although the decline in average interest-earning assets was outpaced by a 1.6% decline in average interest-bearing liabilities from 224,115 billion in 2012 to 220,635 billion in 2013, the decrease in interest income was only partially offset by the decrease in interest expense, resulting in a decrease in net interest income. The decrease in net interest margin was driven mainly by a decrease in our net interest spread, which represents the difference between the average yield on our interest-earning assets and the average cost of our interest-bearing liabilities, from 1.94% in 2012 to 1.83% in 2013. The decrease in our net interest spread reflected a larger decrease in the average yield on our interest-earning assets compared to the decrease in the average cost of our interest-bearing liabilities from 2012 to 2013, primarily due to the earlier adjustment of interest rates on interest-earning assets compared to interest rates on interest-bearing liabilities in the context of the lower interest rate environment in Korea in 2013.

Comparison of 2012 to 2011

Interest income. Interest income decreased 1.8% from 11,095 billion in 2011 to 10,891 billion in 2012, primarily as a result of a 2.9% decrease in interest on loans. The average balance of our interest-earning assets increased 2.6% from 228,625 billion in 2011 to 234,656 billion in 2012, principally due to the growth in our

Table of Contents

loan portfolio. The effect of this increase was more than offset by a 21 basis point decrease in the average yield on our interest-earning assets from 4.85% in 2011 to 4.64% in 2012, which reflected a decrease in the general level of interest rates in Korea in 2012 compared to 2011.

The 2.9% decrease in interest on loans from 9,645 billion in 2011 to 9,363 billion in 2012 was primarily due to:

a 29 basis point decrease in the average yield on commercial and industrial loans from 5.99% in 2011 to 5.70% in 2012, which was enhanced by a 0.3% decrease in the average volume of such loans from 80,588 billion in 2011 to 80,377 billion in 2012; and

a 75 basis point decrease in the average yield on other commercial loans from 4.82% in 2011 to 4.07% in 2012, which was enhanced by a 6.0% decrease in the average volume of such loans from 11,729 billion in 2011 to 11,030 billion in 2012.

The effect of the above decreases was partially offset by a 62.3% increase in the average volume of mortgage loans from 6,345 billion in 2011 to 10,296 billion in 2012, which in turn was partially offset by a 15 basis point decrease in the average yield on such loans from 5.20% in 2011 to 5.05% in 2012.

The average yields on commercial and industrial loans, other commercial loans and mortgage loans decreased mainly as a result of the decrease in the general level of interest rates in Korea in 2012. The decrease in the average volume of commercial and industrial loans was primarily due to a decrease in demand for working capital loans in Won. The decrease in the average volume of other commercial loans mainly reflected a decrease in our purchases of privately placed bonds and bonds bought under repurchase agreements, which was primarily due to a decrease in demand for such loans from large corporate borrowers. The increase in the average volume of mortgage loans primarily reflected increased general demand for such loans from customers, including to finance home rentals in light of an increase in rent levels (particularly key money deposit levels under the *jeonsae* system) in the Korean housing market in 2012, as well as a temporary increase in demand for such loans in the fourth quarter of 2012 in connection with the scheduled expiration of a temporary tax exemption on housing purchases in 2012 (which exemption was subsequently extended until June 30, 2013 in March 2013).

Overall, the average volume of our loans increased 1.3% from 177,399 billion in 2011 to 179,788 billion in 2012, and the average yield on our loans decreased 23 basis points from 5.44% in 2011 to 5.21% in 2012.

Interest on financial assets at fair value through profit or loss increased 11.6% from 292 billion in 2011 to 326 billion in 2012, mainly as a result of a 16.0% increase in the average balance of such assets from 7,952 billion in 2011 to 9,221 billion in 2012, which was partially offset by a 13 basis point decrease in the average yield on such assets from 3.67% in 2011 to 3.54% in 2012. The increase in the volume of financial assets at fair value through profit or loss mainly reflected an increase in our purchase of debt securities issued by the Korean government. The decrease in the average yield on financial assets at fair value through profit or loss was primarily due to an increase in the relative proportion of such debt securities we held as financial assets at fair value through profit or loss, which typically offer lower yields compared to other types of such financial assets held by us.

Interest on investment financial assets increased 2.3% from 991 billion in 2011 to 1,013 billion in 2012, mainly as a result of a 29 basis point increase in the average yield on such assets from 3.47% in 2011 to 3.76% in 2012, which was substantially offset by a 5.6% decrease in the average balance of such assets from 28,569 billion in 2011 to 26,973 billion in 2012. The increase in the average yield on investment financial assets was primarily due to an increase in the proportion of corporate bonds we held as available-for-sale financial assets, which typically offer higher yields compared to other types of such assets held by us, in our investment financial assets portfolio. The decrease in the volume of investment financial assets mainly reflected a decrease in the volume of debt securities issued by the Korean government we held as held-to-maturity financial assets due primarily to the maturity of such securities.

For further information regarding our interest income, see Note 33-(1) of the notes to our consolidated financial statements included elsewhere in this annual report.

Table of Contents

Interest expense. Interest expense decreased 2.6% from 6,206 billion in 2011 to 6,043 billion in 2012, primarily due to a 9.9% decrease in interest expense on debentures, as well as a 13.0% decrease in interest expense on borrowings. The average balance of interest-bearing liabilities increased 2.6% from 218,505 billion in 2011 to 224,115 billion in 2012, principally due to an increase in the average balance of deposits and other interest-bearing liabilities. The effect of this increase was partially offset by a decrease of 14 basis points in the average cost of interest-bearing liabilities from 2.84% in 2011 to 2.70% in 2012, which was driven mainly by a decrease in the average cost of borrowings and other interest-bearing liabilities.

The 9.9% decrease in interest expense on debentures from 1,234 billion in 2011 to 1,112 billion in 2012 resulted mainly from an 8.6% decrease in the average balance of debentures from 24,866 billion in 2011 to 22,721 billion in 2012. The effect of such decrease was enhanced by a 7 basis point decrease in the average cost of debentures from 4.96% in 2011 to 4.89% in 2012. The decrease in the average volume of debentures mainly reflected a decrease in debentures in local currency due to the maturity in 2012 of a large amount of such previously issued debentures, while the decrease in the average cost of debentures was primarily attributable to the maturity and repayment of higher interest rate debentures previously issued by us.

The 13.0% decrease in interest expense on borrowings from 362 billion in 2011 to 315 billion in 2012 resulted from a 13 basis point decrease in the average cost of borrowings from 1.90% in 2011 to 1.77% in 2012, as well as a 6.3% decrease in the average balance of borrowings from 19,025 billion in 2011 to 17,830 billion in 2012. The decrease in the average cost of borrowings was driven mainly by the decrease in the general level of interest rates in Korea in 2012, while the decrease in the average volume of borrowings was principally due to a decrease in borrowings in foreign currencies.

Interest expense on deposits remained relatively stable at 4,506 billion in 2012 compared to 4,511 billion in 2011, as a decrease in interest expense on certificates of deposits more than offset small increases in interest expense on other types of deposits.

Interest expense on certificates of deposit decreased 63.1% from 65 billion in 2011 to 24 billion in 2012, primarily due to a 54.2% decrease in the average balance of such deposits from 1,516 billion in 2011 to 694 billion in 2012, which was enhanced by an 83 basis point decrease in the average cost of such deposits from 4.29% in 2011 to 3.46% in 2012. The decrease in the average balance of certificates of deposits was principally due to our continuing efforts to convert our certificates of deposit into other deposits in order to comply with new loan-to-deposit ratio requirements set by the Financial Supervisory Service, which exclude certificates of deposit from the calculation of total deposits for purposes of determining compliance with such ratio requirements. The decrease in the average cost of certificates of deposit was mainly due to the decrease in the general level of interest rates in Korea in 2012.

Overall, the average volume of our deposits increased by 3.1% from 162,124 billion in 2011 to 167,126 billion in 2012, while the average cost of our deposits decreased by 8 basis points from 2.78% in 2011 to 2.70% in 2012.

Net interest margin. Our overall net interest margin decreased from 2.14% in 2011 to 2.07% in 2012, as our net interest income decreased 0.8% from 4,889 billion in 2011 to 4,848 billion in 2012, while the average balance of our interest-earning assets increased 2.6% from 228,625 billion in 2011 to 234,656 billion in 2012. The growth in average interest-earning assets more than offset a 2.6% increase in average interest-bearing liabilities from 218,505 billion in 2011 to 224,115 billion in 2012. However, the decrease in interest income outpaced the decrease in interest expense, resulting in lower net interest income. The decrease in net interest margin was driven mainly by a decrease in our net interest spread, from 2.01% in 2011 to 1.94% in 2012. The decrease in our net interest spread reflected a larger decrease in the average yield on our interest-earning assets compared to the decrease in the average cost of our interest-bearing liabilities from 2011 to 2012, primarily due to the earlier adjustment of interest rates on interest-earning assets compared to interest rates on interest-bearing liabilities in the context of the lower interest rate environment in Korea in 2012.

Table of Contents***Impairment Losses on Credit Loss***

Impairment losses on credit loss include provisions for credit losses, provisions for guarantees and provisions for unused commitments, in each case net of reversal of provisions.

Comparison of 2013 to 2012

Our impairment losses on credit loss increased by 26.6% from 1,799 billion in 2012 to 2,277 billion in 2013, primarily due to a 21.7% increase in provisions for credit losses, net of reversal of allowance for credit losses, from 1,807 billion in 2012 to 2,199 billion in 2013. Such increase was mainly attributable to an overall deterioration in the asset quality of our corporate loan portfolio, reflecting continuing adverse economic conditions in Korea in 2013.

Our net provisions for guarantees changed from a net reversal of provisions of 31 billion in 2012 to net provisions of 93 billion in 2013, due primarily to an increase in the demand for guarantees from our corporate customers.

Comparison of 2012 to 2011

Our impairment losses on credit loss decreased by 6.4% from 1,923 billion in 2011 to 1,799 billion in 2012, primarily due to a change in net provisions for guarantees from net provisions of 146 billion in 2011 to a net reversal of provisions of 31 billion in 2012. Such change was mainly attributable to a decrease in the demand for guarantees, including from our corporate customers in the Korean shipbuilding industry.

Our provisions for credit losses, net of reversal of allowance for credit losses, remained relatively constant at 1,807 billion in 2012 compared to 1,812 billion in 2011.

Allowance for Credit Losses

For information on our allowance for credit losses, see Critical Accounting Policies Impairment of Loans and Allowance for Credit Losses and Item 4B. Business Overview Assets and Liabilities Loan Portfolio Allocation and Analysis of Allowances for Credit Losses under IFRS.

Corporate Loans.

The following table shows, for the periods indicated, certain information regarding our impaired corporate loans:

	As of December 31,		
	2011⁽¹⁾	2012⁽¹⁾⁽²⁾	2013⁽²⁾⁽³⁾
Impaired corporate loans as a percentage of total corporate loans	2.5%	2.7%	4.1%
Allowance for credit losses for corporate loans as a percentage of total corporate loans	2.7	2.4	2.5
Allowance for credit losses for corporate loans as a percentage of impaired corporate loans	106.9	90.2	59.8
Net charge-offs as a percentage of total corporate loans	1.7	1.3	1.1

(1) The amounts for 2011 and 2012 only include Woori Bank (including its former credit card operations) and Woori Investment Bank, which accounted for a substantial majority of our continuing operations.

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

(3) The amounts for 2013 only include continuing operations.

During 2013, impaired corporate loans and allowance for credit losses for corporate loans, each as a percentage of total corporate loans, increased due to deterioration in the overall credit quality of our corporate loans. However, allowance for credit losses for corporate loans as a percentage of impaired corporate loans decreased during 2013 due mainly to an improvement in the overall mix of our impaired corporate loans in 2013 compared to 2012.

Table of Contents

During 2012, impaired corporate loans as a percentage of total corporate loans increased due to a deterioration in the overall credit quality of our corporate loans. However, allowance for credit losses for corporate loans as a percentage of total corporate loans and as a percentage of impaired corporate loans decreased during 2012 as the degree of overall impairment of our impaired corporate loans was not as severe in 2012 compared to 2011, resulting in a decrease in the level of our allowance for credit losses for corporate loans.

Consumer Loans and Credit Card Balances.

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

	As of December 31,		
	2011 ⁽¹⁾	2012 ⁽¹⁾⁽²⁾	2013 ⁽²⁾⁽³⁾
Impaired consumer loans as a percentage of total consumer loans	0.5%	0.6%	0.9%
Allowance for credit losses for consumer loans as a percentage of total consumer loans	0.3	0.4	0.4
Allowance for credit losses for consumer loans as a percentage of impaired consumer loans	56.4	65.2	49.8
Net charge-offs of consumer loans as a percentage of total consumer loans	0.1	0.1	0.1

(1) The amounts for 2011 and 2012 only include Woori Bank (including its credit card operations) and Woori Investment Bank, which accounted for a substantial majority of our continuing operations.

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

(3) The amounts for 2013 only include continuing operations.

During 2013, impaired consumer loans as a percentage of total consumer loans increased mainly as a result of a deterioration in the overall credit quality of our consumer loans, while allowance for credit losses for consumer loans as a percentage of impaired consumer loans decreased due primarily to an improvement in the overall mix of our impaired consumer loans in 2013 compared to 2012. Allowance for credit losses for consumer loans as a percentage of total consumer loans remained stable in 2013 compared to 2012.

During 2012, impaired consumer loans and allowance for credit losses for consumer loans, each as a percentage of total consumer loans, increased due to a deterioration in the overall credit quality of our consumer loans. Allowance for credit losses for consumer loans as a percentage of impaired consumer loans increased, as the degree of overall impairment of our impaired consumer loans (particularly general purpose household loans) became more severe in 2012 compared to 2011, resulting in an increase in the amount of our allowance for credit losses for consumer loans.

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

	As of December 31,		
	2011 ⁽¹⁾	2012 ⁽¹⁾⁽²⁾	2013 ⁽²⁾⁽³⁾
Impaired credit card balances as a percentage of total credit card balances ⁽⁴⁾	1.6%	1.7%	1.8%
Allowance for credit losses for credit card balances as a percentage of total credit card balances ⁽⁴⁾	2.8	2.9	2.5
Allowance for credit losses for credit card balances as a percentage of impaired credit card balances ⁽⁴⁾	172.5	171.0	141.3
Net charge-offs as a percentage of total credit card balances ⁽⁴⁾	3.1	3.5	3.3

(1) The amounts for 2011 and 2012 only include Woori Bank (including its former credit card operations) and Woori Investment Bank, which accounted for a substantial majority of our continuing operations.

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

(3) The amounts for 2013 only include continuing operations.

(4) Includes corporate credit card balances.

Table of Contents

During 2013, impaired credit card balances as a percentage of total credit card balances increased due to an overall deterioration in the asset quality of our credit card portfolio. However, allowance for credit losses for credit card balances as a percentage of impaired credit card balances and as a percentage of total credit card balances decreased, as the overall mix of our impaired credit card balances improved in 2013 compared to 2012.

During 2012, impaired credit card balances and allowance for credit losses for credit card balances, each as a percentage of total credit card balances, increased due to an overall deterioration in the asset quality of our credit card portfolio. However, allowance for credit losses for credit card balances as a percentage of impaired credit card balances decreased slightly, as the degree of overall impairment of our impaired credit card balances was not as severe in 2012 compared to 2011.

Net Fees and Commissions Income

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

	Year ended December 31,			Percentage change	
	2011	2012 ⁽¹⁾	2013 ⁽¹⁾	2012/2011	2013/2012
	(in billions of Won)			(%)	
Fees and commissions income	1,625	1,687	1,565	3.8%	(7.2)%
Fees and commissions expense	(444)	(498)	(639)	12.2	28.3
Total fees and commissions income, net	1,181	1,189	926	0.7	(22.1)

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

Comparison of 2013 to 2012

Our net fees and commissions income decreased 22.1% from 1,189 billion in 2012 to 926 billion in 2013, as the effect of a 28.3% increase in fees and commissions expense from 498 billion in 2012 to 639 billion in 2012 was enhanced by a 7.2% decrease in fees and commissions income from 1,687 billion in 2012 to 1,565 billion in 2013. The 28.3% increase in fees and commissions expense was primarily due to a 30.2% increase in credit card commissions from 393 billion in 2012 to 512 billion in 2013, which mainly reflected an increase in miscellaneous credit card commissions paid as a result of new businesses commenced by Woori Card after its spin-off, as well as a 20.0% increase in fees paid from 98 billion in 2012 to 117 billion in 2013, which was mainly attributable to an increase in fees paid relating to such businesses. The 7.2% decrease in fees and commissions income was mainly the result of a 9.1% decrease in banking fees from 738 billion in 2012 to 671 billion in 2013, which primarily reflected a decrease in sales commissions received for bancassurance products.

For further information regarding our net fees and commission income, see Note 34 of the notes to our consolidated financial statements included elsewhere in this annual report.

Comparison of 2012 to 2011

Our net fees and commissions income remained relatively stable at 1,189 billion in 2012 compared to 1,181 billion in 2011, as a 3.8% increase in fees and commissions income from 1,625 billion in 2011 to 1,687 billion in 2012 was mostly offset by a 12.2% increase in fees and commissions expense from 444 billion in 2011 to 498 billion in 2012. The 3.8% increase in fees and commissions income was primarily due to a 13.4% increase in guarantee fees from 97 billion in 2011 to 110 billion in 2012, which was mainly attributable to an increase in fees relating to financial guarantees in foreign currencies, as well as a 5.2% increase in credit card fees from 662 billion in 2011 to 696 billion in 2012, which mainly reflected an increase in the volume of credit card transactions as well as an increase in credit card issuances. The 12.2% increase in fees and commissions expense was mainly the result of a 15.2% increase in credit card commissions from 341 billion in 2011 to 393 billion in 2012, which primarily reflected the increase in the volume of credit card transactions and the increase in credit card issuances.

Table of Contents

For further information regarding our net fees and commission income, see Note 34 of the notes to our consolidated financial statements included elsewhere in this annual report.

Net Gain on Financial Assets

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

	Year ended December 31,			Percentage change	
	2011	2012 ⁽¹⁾	2013 ⁽¹⁾	2012/2011	2013/2012
	(in billions of Won)			(%)	
Gain (loss) on financial assets at fair value through profit or loss, net	137	(365)	124	N/M ⁽²⁾	N/M ⁽²⁾
Gain (loss) on available-for-sale financial assets, net ⁽³⁾	1,027	533	(85)	(48.1)	N/M ⁽²⁾
Total net gain (loss) on financial assets	1,164	168	39	(85.6)%	(76.8)%

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

⁽²⁾ N/M = not meaningful.

⁽³⁾ Includes impairment losses on available-for-sale financial assets of 193 billion in 2011, 118 billion in 2012 and 145 billion in 2013.

Comparison of 2013 to 2012

Our net gain on financial assets decreased 76.8% from 168 billion in 2012 to 39 billion in 2013, primarily as a result of a change in net gain (loss) on available-for-sale financial assets from a net gain of 533 billion in 2012 to a net loss of 85 billion in 2013, the effect of which was partially offset by a change in net gain (loss) on financial assets at fair value through profit or loss from a net loss of 365 billion in 2012 to a net gain of 124 billion in 2013.

The change in net gain (loss) on available-for-sale financial assets was principally due to a 90.1% decrease in net gain on transaction of available-for-sale securities from 651 billion in 2012 to 59 billion in 2013, which mainly reflected extraordinary gains realized by us upon our disposal of equity securities of Hynix Semiconductor Inc. in 2012, which were not repeated in 2013. Such change was enhanced by a 22.9% increase in impairment loss on available-for-sale securities from 118 billion in 2012 to 145 billion in 2013, which was attributable mainly to an increase in impairment losses recognized on our holdings of equity securities in 2013 in light of higher market volatility.

The change in net gain (loss) on financial assets at fair value through profit or loss was principally due to a change in net gain (loss) on financial assets held for trading, from a net loss of 327 billion in 2012 to a net gain of 130 billion in 2013. The change in net gain (loss) on financial assets held for trading resulted mainly from a change in net gain (loss) on transaction of derivatives held for trading from a net loss of 201 billion in 2012 to a net gain of 166 billion in 2013, driven mainly by a change in net gain (loss) on transaction of currency derivatives from a net loss of 145 billion in 2012 to a net gain of 216 billion in 2013. The effect of this change was enhanced by a change in net gain (loss) on valuation of derivatives held for trading from a net loss of 159 billion in 2012 to a net gain of 2 billion in 2013, resulting mainly from an 80.9% decrease in loss on valuation of currency derivatives from 199 billion in 2012 to 38 billion in 2013. For further information regarding our net gain (loss) on financial assets at fair value through profit or loss, see Note 36 of the notes to our consolidated financial statements included elsewhere in this annual report.

Unrealized gains and losses (other than impairment losses) on available-for-sale financial assets are recorded in our statement of financial position as part of accumulated other comprehensive income, under other equity. In 2013, we recognized a net loss on valuation of available-for-sale financial assets of 51 billion as part of other comprehensive income (loss) net of tax.

Table of Contents*Comparison of 2012 to 2011*

Our net gain on financial assets decreased 85.6% from 1,164 billion in 2011 to 168 billion in 2012, primarily as a result of a change in net gain (loss) on financial assets at fair value through profit or loss from a net gain of 137 billion in 2011 to a net loss of 365 billion in 2012, the effect of which was enhanced by a 48.1% decrease in net gain on available-for-sale financial assets from 1,027 billion in 2011 to 533 billion in 2012.

The change in our net gain (loss) on financial assets at fair value through profit or loss was principally due to a change in net gain (loss) on financial assets held for trading from a net gain of 59 billion in 2011 to a net loss of 327 billion in 2012, which resulted mainly from a change in net gain (loss) on derivatives from a net gain of 45 billion in 2011 to a net loss of 201 billion in 2012, driven primarily by a change in net gain (loss) on currency derivatives from a net gain of 81 billion in 2011 to a net loss of 145 billion in 2012. The effect of this change was enhanced by a change in net gain (loss) on valuation of derivatives from a net gain of 60 billion in 2011 to a net loss of 159 billion in 2012, resulting mainly from a change in net gain (loss) on valuation of currency derivatives from a net gain of 13 billion in 2011 to a net loss of 199 billion in 2012. For further information regarding our net gain (loss) on financial assets at fair value through profit or loss, see Note 36 of the notes to our consolidated financial statements included elsewhere in this annual report.

The 48.1% decrease in net gain on available-for-sale financial assets was principally due to a 46.7% decrease in net gain on transaction of available-for-sale securities from 1,220 billion in 2011 to 651 billion in 2012, as gains of 961 billion realized by us upon our disposal of equity securities of Hyundai Engineering & Construction in 2011 were not repeated in 2012. Such decrease was partially offset by a 38.9% decrease in impairment loss on available-for-sale securities from 193 billion in 2011 to 118 billion in 2012. The decrease in impairment loss on available-for-sale securities was attributable mainly to a decrease in impairment losses recognized on our holdings of equity securities in 2012 in light of lower market volatility.

Unrealized gains and losses (other than impairment losses) on available-for-sale financial assets are recorded in our statement of financial position as part of accumulated other comprehensive income, under other equity. In 2012, we recognized a net loss on valuation of available-for-sale financial assets of 350 billion as part of other comprehensive income (loss) net of tax, principally as a result of decreases in valuation gains on equity securities of Hynix Semiconductor Inc., which reflected our disposal of such securities in 2012.

Net Other Operating Expense

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

	Year ended December 31,			Percentage change	
	2011	2012 ⁽¹⁾	2013 ⁽¹⁾	2012/2011	2013/2012
	(in billions of Won)			(%)	
Other operating income	8,431	2,761	3,107	(67.3)%	12.5%
Other operating expenses	(11,594)	(5,719)	(6,135)	(50.7)	7.3
Total net other operating expenses	(3,163)	(2,958)	(3,028)	(6.5)	2.4

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

Comparison of 2013 to 2012

Our net other operating expenses increased 2.4% from 2,958 billion in 2012 to 3,028 billion in 2013, as the effect of a 12.5% increase on other operating income from 2,761 billion in 2012 to 3,107 billion in 2013 was more than offset by a 7.3% increase in other operating expenses from 5,719 billion in 2012 to 6,135 billion in 2013.

Table of Contents

Other operating income includes principally gains on transaction of foreign exchange, gains on disposal of loans and receivables, gains on fair value of hedged items and miscellaneous other operating income. The 12.5% increase in other operating income was attributable mainly to a 135.8% increase in miscellaneous other operating income from 117 billion in 2012 to 277 billion in 2013. This increase, which was principally due to the recognition in 2013 of certain payments due from other creditor financial institutions for the settlement of accounts, was enhanced by a 5.6% increase in gains on transaction of foreign exchange from 2,435 billion in 2012 to 2,572 billion in 2013, which was principally due to higher exchange rate volatility in 2013. The increase on gains on transaction of foreign exchange was more than offset by an increase in loss on transaction of foreign exchange which is recorded as part of other operating expenses. On a net basis, our net gain on transaction of foreign exchange decreased 65.9% from 391 billion in 2012 to 133 billion in 2013.

Other operating expenses include principally administrative expenses (which in turn mainly include short term salaries and other employee benefits, rent and depreciation and amortization, among others), losses on transaction of foreign exchange, contributions to miscellaneous funds, deposit insurance premiums, losses on hedging derivatives and miscellaneous other operating expenses. The 7.3% increase in other operating expenses was primarily the result of a 19.3% increase in losses on transaction of foreign exchange from 2,044 billion in 2012 to 2,439 billion in 2013, which reflected higher exchange rate volatility during 2013. This increase was partially offset by an increase in gains on transaction of foreign exchange, which is recorded as part of other operating income as discussed above. The increase in losses on transaction of foreign exchange was enhanced by a 4.0% increase in administrative expenses from 2,789 billion in 2012 to 2,902 billion in 2013, which was attributable mainly to 5.6% increase in short term salaries from 1,123 billion in 2012 to 1,187 billion in 2013, principally reflecting increased salaries paid to our employees.

For further information regarding our net other operating expense, see Note 39 of the notes to our consolidated financial statements included elsewhere in this annual report.

Comparison of 2012 to 2011

Our net other operating expenses decreased 6.5% from 3,163 billion in 2011 to 2,958 billion in 2012, as the effect of a 50.7% decrease in other operating expenses from 11,594 billion in 2011 to 5,719 billion in 2012 was partially offset by a 67.3% decrease in other operating income from 8,431 billion in 2011 to 2,761 billion in 2012.

The 67.3% decrease in other operating income was attributable mainly to a 70.2% decrease in gain on transaction of foreign exchange from 8,161 billion in 2011 to 2,435 billion in 2012. This decrease, which was principally due to lower exchange rate volatility during 2012, was more than offset by a corresponding decrease in loss on transaction of foreign exchange, which is recorded as part of other operating expenses. On a net basis, our net gain on transaction of foreign exchange increased 153.9% from 154 billion in 2011 to 391 billion in 2012.

The 50.7% decrease in other operating expenses was primarily the result of a 74.4% decrease in loss on transaction of foreign exchange from 8,007 billion in 2011 to 2,044 billion in 2012, which reflected lower exchange rate volatility during 2012. This decrease was partially offset by a corresponding decrease in gain on transaction of foreign exchange, which is recorded as part of other operating income as discussed above. The decrease in loss on transaction of foreign exchange was also partially offset by a 5.1% increase in administrative expenses from 2,653 billion in 2011 to 2,789 billion in 2012, which was attributable mainly to a 10.9% increase in other miscellaneous employee benefits from 307 billion in 2011 to 341 billion in 2012.

For further information regarding our net other operating expense, see Note 39 of the notes to our consolidated financial statements included elsewhere in this annual report.

Table of Contents**Other Non-operating Income (Expenses)**

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

	Year ended December 31,			Percentage change	
	2011	2012 ⁽¹⁾	2013 ⁽¹⁾	2012/2011	2013/2012
	(in billions of Won)			(%)	
Other non-operating income	206	148	145	(28.2)%	(2.0)%
Other non-operating expenses	(116)	(104)	(96)	(10.3)	(7.7)
Total net other non-operating income (expenses)	90	44	49	(51.1)	11.4

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

Comparison of 2013 to 2012

Our net other non-operating income increased 11.4% from 44 billion in 2012 to 49 billion in 2013, as the effect of a 7.7% decrease in other non-operating expenses from 104 billion in 2012 to 96 billion in 2013 was partially offset by a 2.0% decrease in other non-operating income from 148 billion in 2012 to 145 billion in 2013.

Other non-operating income includes principally gains on disposal of investment in joint ventures and associates, gains on disposal of premises and equipment and other assets, rental income and miscellaneous other non-operating income. The 2.0% decrease in other non-operating income was attributable mainly to a 30.0% decrease in gains on disposal of investment in joint ventures and associates from 29 billion in 2012 to 20 billion in 2013. This decrease was principally due to losses from the disposal of our interest in certain companies in 2012, which was not repeated in 2013.

Other non-operating expenses include principally donations, expenses on investment properties, losses on disposal of investment in joint ventures and associates and miscellaneous other non-operating expenses. The 7.7% decrease in other non-operating expenses was attributable mainly to a 23.7% decrease in donations from 69 billion in 2012 to 52 billion in 2013.

Comparison of 2012 to 2011

Our net other non-operating income decreased 51.1% from 90 billion in 2011 to 44 billion in 2012, as the effect of a 28.2% decrease in other non-operating income from 206 billion in 2011 to 148 billion in 2012 was partially offset by a 10.3% decrease in other non-operating expenses from 116 billion in 2011 to 104 billion in 2012.

The 28.2% decrease in other non-operating income was attributable mainly to a 96.7% decrease in gains on disposal of premises and equipment and other assets from 66 billion in 2011 to 2 billion in 2012. This decrease was principally due to the disposal of our interest in BC Card in 2011 (which had been accounted for as part of our other assets), which was not repeated in 2012.

The 10.3% decrease in other non-operating expenses was attributable mainly to a 39.4% decrease in miscellaneous other non-operating income from 46 billion in 2011 to 28 billion in 2012.

Income Tax Expense

Our income tax expense is calculated by adding or subtracting changes in deferred income tax liabilities and assets to income tax amounts payable for the period. Deferred tax assets are recognized for deductible temporary differences, including operating losses and tax credit carry-forwards, while deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are those between the carrying values of assets and

Table of Contents

liabilities for financial reporting purposes and their tax bases. Deferred tax assets, including the carry-forwards of unused tax losses, are recognized to the extent it is probable that the deferred tax assets will be realized.

Comparison of 2013 to 2012

Income tax expense decreased 90.2% from 357 billion in 2012 to 35 billion in 2013, mainly as a result of a decrease in our net income before income tax expense. The statutory tax rate was 24.2% for pre-tax income over 20 billion in 2012 and 2013. Our effective tax rate was 21.6% in 2012 and 12.2% in 2013. See Note 41 of the notes to our consolidated financial statements included elsewhere in this annual report.

Comparison of 2012 to 2011

Income tax expense decreased 36.2% from 559 billion in 2011 to 357 billion in 2012, mainly as a result of a decrease in our net income before income tax expense. The statutory tax rate was 24.2% for pre-tax income over 0.2 billion in 2011 and 24.2% for pre-tax income over 20 billion in 2012. Our effective tax rate was 23.4% in 2011 and 21.6% in 2012. See Note 41 of the notes to our consolidated financial statements included elsewhere in this annual report.

Net Income from Continuing Operations

Due to the factors described above, we recorded net income from continuing operations of 253 billion in 2013, compared to 1,281 billion in 2012 and 1,783 billion in 2011.

Net Income (Loss) from Discontinued Operations

The Korean government, which currently owns 56.97% of our outstanding common stock through the KDIC, is in the process of implementing a privatization plan with respect to us and our subsidiaries. See Item 4A. History and Development of the Company Privatization Plan. In light of the planned dispositions of such subsidiaries pursuant to the privatization plan, Kwangju Bank, Kyongnam Bank, Woori Investment & Securities, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I have been classified as a disposal group held for distribution or sale, and their operations have been accounted for as discontinued operations, in our consolidated financial statements as of and for the year ended December 31, 2013 included in this annual report. Similarly, our consolidated statements of comprehensive income for the years ended December 31, 2011 and 2012 included in this annual report have been restated to account for such entities as discontinued operations.

For further information regarding the accounting treatment of our discontinued operations, see Notes 46 and 47 of the notes to our consolidated financial statements included elsewhere in this annual report.

Comparison of 2013 to 2012

Net income (loss) from discontinued operations changed from a net income of 567 billion in 2012 to a net loss of 966 billion in 2013. Such change was attributable primarily to impairment losses of 793 billion recognized in 2013 on the disposal group held for sale (comprising Woori Investment & Securities, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I), as well as an increase in income tax expense on the disposal group held for disposition (comprising Kwangju Bank and Kyongnam Bank) from 88 billion in 2012 to 639 billion in 2013. The impairment losses recognized in 2013 on the disposal group held for sale reflected the fact that the carrying value of the net assets of such group as of December 31, 2013 exceeded their net fair value, as measured based on the bid prices submitted by the preferred bidders for such group in late 2013. The increase in income tax expense in 2013 on the disposal group held for distribution was primarily due to the recognition as income tax expense in 2013 of certain Korean taxes that may be imposed on us in connection with the spin-off of such disposal group, if a proposed amendment to the Tax Reduction and Exemption Control Act of Korea that would allow the spin-off to be recognized as a tax-free transaction is not adopted by the Korean National Assembly or does not become effective prior to the date of the spin-off.

Table of Contents*Comparison of 2012 to 2011*

Net income from discontinued operations decreased by 15.2% from 668 billion in 2011 to 567 billion in 2012. Such decrease was attributable primarily to a 24.7% decrease in net fees and commissions income of the disposal group held for sale from 644 billion in 2011 to 485 billion in 2012, which mainly reflected a decrease in brokerage fees received by Woori Investment & Securities principally as a result of a decrease in the volume of fee-earning transactions brokered by such entity in 2012 compared to 2011.

Net Income (Loss)

Overall, we recorded a net loss of 713 billion in 2013, compared to a net income of 1,847 billion in 2012 and 2,451 billion in 2011.

Results by Principal Business Segment

We compile and analyze financial information for our business segments based upon segment information used by our management for the purposes of resource allocation and performance evaluation. Under IFRS as issued by the IASB, we have five operational business segments: Woori Bank, Kyongnam Bank, Kwangju Bank, Woori Investment & Securities and other operations. Except as otherwise indicated, historical segment information appearing below for each of Woori Bank, Kyongnam Bank and Kwangju Bank includes their respective credit card operations.

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

	Net income ⁽¹⁾ Year ended December 31,			Total operating income ⁽²⁾ Year ended December 31,		
	2011	2012 ⁽³⁾	2013 ⁽³⁾⁽⁴⁾	2011	2012 ⁽³⁾	2013 ⁽³⁾⁽⁴⁾
	(in billions of Won)					
Woori Bank	2,069	1,497	437	2,593	1,765	465
Kyongnam Bank ⁽⁵⁾	196	181	130	264	239	160
Kwangju Bank ⁽⁵⁾	136	137	61	182	185	81
Woori Investment & Securities ⁽⁵⁾	198	122	48	215	174	61
Other operations ⁽⁶⁾	357	465	(586)	393	477	170
Total ⁽⁷⁾	2,956	2,402	90	3,647	2,840	937

(1) After reflecting the share of profits of joint ventures and associates and income tax expense.

(2) Comprises net interest income, net non-interest income, administrative expenses and impairment losses on credit losses.

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

(4) In April 2013, we effected a spin-off of the credit card business of Woori Bank into a newly established wholly-owned subsidiary, Woori Card. 2013 amounts for Woori Bank exclude the results of operations of its former credit card business, which are included instead in the 2013 amounts for other operations.

(5) Accounted for as discontinued operations. See Overview Privatization Plan.

(6) Of the entities included in this segment, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I have been accounted for as discontinued operations. See Overview Privatization Plan.

(7) Before adjustments for consolidation, inter-segment transactions and certain differences in classification under our management reporting system.

Table of Contents**Woori Bank**

Woori Bank provides a wide range of banking and other financial services to large corporations, small- and medium-sized enterprises and individuals in Korea. In April 2013, we effected a spin-off of the credit card business of Woori Bank into a newly established wholly-owned subsidiary, Woori Card. The results of operations of the former credit card business of Woori Bank for 2011 and 2012 are included in the Woori Bank segment, while the results of operations of such business for 2013 (including the results of operations of Woori Card after its establishment) are included in the other operations segment.

	Year ended December 31,			Percentage change	
	2011	2012 ⁽¹⁾	2013 ⁽¹⁾	2012/2011	2013/2012
	(in billions of Won)			(%)	
Income statement data					
Interest income	11,033	10,829	9,130	(1.9)%	(15.7)%
Interest expense	5,931	5,853	4,710	(1.3)	(19.5)
Net interest income	5,102	4,976	4,420	(2.5)	(11.2)
Non-interest income	17,059	10,560	9,129	(38.1)	(13.6)
Non-interest expense	15,055	9,279	8,374	(38.4)	(9.8)
Net non-interest income	2,004	1,281	755	(36.1)	(41.1)
Administrative expenses	2,549	2,663	2,679	4.5	0.6
Impairment losses on credit loss and others ⁽²⁾	1,964	1,829	2,031	(6.9)	11.0
Total other expenses	4,513	4,492	4,710	(0.5)	4.9
Operating income	2,593	1,765	465	(31.9)	(73.7)
Share of profits of joint ventures and associates	(24)	27	2	N/M ⁽³⁾	(92.6)
Net non-operating income (expenses)	90	47	51	(47.8)	8.5
Net income before tax	2,659	1,839	518	(30.8)	(71.8)
Income tax expense (benefit)	590	342	81	(42.0)	(76.3)
Net income	2,069	1,497	437	(27.7)%	(70.8)%
Controlling interest	2,068	1,496	436	(27.7)	(70.9)
Non-controlling interest	1	1	1		

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

(2) Consist of impairment losses on credit loss, gain (loss) on loan sales and provisions (reversal of provisions).

(3) N/M = not meaningful.

Comparison of 2013 to 2012

Our net income before tax for this segment decreased 71.8% from 1,839 billion in 2012 to 518 billion in 2013. Net income after tax also decreased 70.8% from 1,497 billion in 2012 to 437 billion in 2013.

Interest income from our Woori Bank operations decreased 15.7% from 10,829 billion in 2012 to 9,130 billion in 2013, primarily due to a decrease in the average yield on interest-earning assets, which was enhanced by an overall decrease in the average balance of interest-earning

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

assets. The decrease in the average yield on interest-earning assets was attributable mainly to the lower interest rate environment in Korea. The average volume of Woori Bank's loans on a consolidated basis increased 0.5% from 179,381 billion in 2012 to 180,341 billion in 2013, primarily as a result of an increase in mortgage loans.

Interest expense decreased 19.5% from 5,853 billion in 2012 to 4,710 billion in 2013. The decrease in interest expense was primarily due to a decrease in the average cost of interest-bearing liabilities, resulting mainly from the lower interest rate environment in Korea. This decrease was further enhanced by a 2.8%

Table of Contents

decrease in the average volume of interest-bearing liabilities from 221,106 billion in 2012 to 215,006 billion in 2013, which was mainly attributable to a decrease in the average volume of debentures, principally as a result of Woori Bank's spin-off of its credit card business, including related liabilities.

Impairment losses on credit loss and others increased 11.0% from 1,829 billion in 2012 to 2,031 billion in 2013. The increase was primarily due to a 20.7% increase in provisions for credit losses for loans, net of reversal of provisions, from 1,656 billion in 2012 to 1,998 billion in 2013. Such increase was mainly attributable to an overall deterioration in the asset quality of Woori Bank's corporate loan portfolio, reflecting continuing adverse economic conditions in Korea in 2013.

Non-interest income decreased 13.6% from 10,560 billion in 2012 to 9,129 billion in 2013, primarily due to a decrease in gains on available-for-sale financial assets, which mainly reflected extraordinary gains realized by the Bank upon its disposal of its holdings of equity securities of Hynix Semiconductor Inc. in 2012, which were not repeated in 2013.

Non-interest expense decreased 9.8% from 9,279 billion in 2012 to 8,374 billion in 2013, primarily as a result of a decrease in losses on transaction and valuation of currency derivatives, which mainly reflected lower transaction volumes.

Administrative expenses increased 0.6% from 2,663 billion in 2012 to 2,679 billion in 2013, primarily due to an increase in salaries attributable mainly to an increase in the average base salaries of employees of Woori Bank.

Comparison of 2012 to 2011

Our net income before tax for this segment decreased 30.8% from 2,659 billion in 2011 to 1,839 billion in 2012. Net income after tax also decreased 27.7% from 2,069 billion in 2011 to 1,497 billion in 2012.

Interest income from our Woori Bank operations decreased 1.9% from 11,033 billion in 2011 to 10,829 billion in 2012, primarily due to a decrease in the average yield on interest-earning assets, which was partially offset by an increase in the average balance of interest-earning assets. The decrease in the average yield on interest-earning assets was attributable mainly to the lower interest rate environment in Korea. The average volume of Woori Bank's loans on a consolidated basis increased 1.3% from 177,100 billion in 2011 to 179,381 billion in 2012, primarily as a result of an increase in mortgage loans.

Interest expense decreased 1.3% from 5,931 billion in 2011 to 5,853 billion in 2012. The decrease in interest expense was primarily due to a decrease in the average cost of interest-bearing liabilities, resulting mainly from the lower interest rate environment in Korea as well as the maturity and repayment of higher interest rate debentures previously issued by Woori Bank. This decrease was partially offset by a 3.0% increase in the average volume of interest-bearing liabilities from 214,667 billion in 2011 to 221,106 billion in 2012, which was mainly attributable to an increase in the average volume of time and savings deposits, reflecting customers' preference for low risk financial products and institutions in light of the continuing uncertainty in financial markets in 2012.

Impairment losses on credit loss and others decreased 6.9% from 1,964 billion in 2011 to 1,829 billion in 2012. The decrease was primarily due to a change in net provisions for guarantees from net provisions of 142 billion in 2011 to a net reversal of provisions of 25 billion in 2012. Such change reflected a decrease in provisions for guarantees, which was mainly attributable to a decrease in the demand for such guarantees, including from corporate customers in the Korean shipbuilding industry.

Non-interest income decreased 38.1% from 17,059 billion in 2011 to 10,560 billion in 2012, primarily due to a decrease in gains on transaction of foreign exchange, which mainly reflected decreased exchange rate volatility.

Non-interest expense decreased 38.4% from 15,055 billion in 2011 to 9,279 billion in 2012, primarily as a result of a decrease in losses on transaction of foreign exchange, which mainly reflected decreased exchange rate volatility.

Table of Contents

Administrative expenses increased 4.5% from 2,549 billion in 2011 to 2,663 billion in 2012, primarily due to an increase in retirement benefit service costs.

Kyongnam Bank

Kyongnam Bank is a regional commercial bank that provides financial services in Changwon and Ulsan and other parts of the South Kyongsang province in southeastern Korea. Kyongnam Bank concentrates on consumer banking, as well as corporate banking for small- and medium-sized enterprises.

Pursuant to the Korean government's privatization plan with respect to us and our subsidiaries, we plan to effect a spin-off of the business operations of Kyongnam Bank in May 2014. Accordingly, such operations have been accounted for as discontinued operations in our consolidated financial statements as of the year ended December 31, 2013 and for the years ended December 31, 2011, 2012 and 2013 included in this annual report. See Item 4A. History and Development of the Company Privatization Plan.

	Year ended December 31,			Percentage change	
	2011	2012 ⁽¹⁾	2013 ⁽¹⁾	2012/2011	2013/2012
	(in billions of Won)			(%)	
Income statement data					
Interest income	1,253	1,350	1,323	7.7%	(2.0)%
Interest expense	612	704	672	15.0	(4.6)
Net interest income	641	646	651	0.8	0.8
Non-interest income	459	417	370	(9.2)	(11.3)
Non-interest expense	409	389	312	(4.9)	(19.8)
Net non-interest income	50	28	58	(44.0)	107.1
Administrative expenses	274	293	328	6.9	12.0
Impairment losses on credit loss and others ⁽²⁾	153	142	221	(7.2)	55.6
Total other expenses	427	435	549	1.9	26.2
Operating income	264	239	160	(9.5)	(33.1)
Share of profits of joint ventures and associates					
Net non-operating income (expenses)	(9)	(11)	(8)	22.2	(27.3)
Net income before tax	255	228	152	(10.6)	(33.3)
Income tax expense (benefit)	59	47	22	(20.3)	(53.2)
Net income	196	181	130	(7.7)	(28.2)
Controlling interest	196	181	130	(7.7)	(28.2)
Non-controlling interest					

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

⁽²⁾ Consist of impairment losses on credit loss, gain (loss) on loan sales and provisions (reversal of provisions).
Comparison of 2013 to 2012

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

Our net income before tax for this segment decreased 33.3% from 228 billion in 2012 to 152 billion in 2013. Net income after tax also decreased 28.2% from 181 billion in 2012 to 130 billion in 2013.

Interest income from our Kyongnam Bank operations decreased 2.0% from 1,350 billion in 2012 to 1,323 billion in 2012, primarily due to a decrease in the average yield on interest-earning assets resulting from the general decrease in market interest rates. Such decrease was partially offset by a 15.2% increase in the average lending volume from 20,688 billion in 2012 to 23,824 billion in 2013, caused primarily by an increase in the average volume of loans to small- and medium-sized enterprises and consumers, due to an increase in demand for such loans in the southeastern part of Korea.

Table of Contents

Interest expense decreased 4.6% from 704 billion in 2012 to 672 billion in 2013. The decrease in interest expense resulted principally from a decrease in the average cost of interest-bearing liabilities, mainly due to a decrease in the average cost of time and savings deposits, reflecting the general decrease in market interest rates. Such decrease was partially offset by a 17.0% increase in the average volume of deposits from 19,348 billion in 2012 to 22,634 billion in 2013, which mainly reflected increased demand for deposit products as well as Kyongnam Bank's focus on the marketing of its deposit products, particularly its time and saving deposit products.

Impairment losses on credit loss and others increased 55.6% from 142 billion in 2012 to 221 billion in 2013, primarily as a result of an overall deterioration in the asset quality of Kyongnam Bank's corporate loan portfolio, reflecting continuing adverse economic conditions in Korea in 2013.

Non-interest income decreased 11.3% from 417 billion in 2012 to 370 billion in 2013, primarily as a result of decreases in gains on transactions of derivatives and foreign exchange.

Non-interest expense decreased 19.8% from 389 billion in 2012 to 312 billion in 2013, mainly reflecting decreases in losses on transactions of derivatives and foreign exchange.

Administrative expenses increased 12.0% from 293 billion in 2012 to 328 billion in 2013, primarily due to an increase in miscellaneous general and administration expenses, which mainly reflected increases in employee benefits and IT service expenses.

Comparison of 2012 to 2011

Our net income before tax for this segment decreased 10.6% from 255 billion in 2011 to 228 billion in 2012. Net income after tax also decreased 7.7% from 196 billion in 2011 to 181 billion in 2012.

Interest income from our Kyongnam Bank operations increased 7.7% from 1,253 billion in 2011 to 1,350 billion in 2012, primarily due to an increase in the average volume of interest-earning assets, which was partially offset by a decrease in the average yield on interest-earning assets resulting from the general decrease in market interest rates. The average volume of Kyongnam Bank's loans increased 15.5% from 17,911 billion in 2011 to 20,688 billion in 2012, primarily due to an increase in the average volume of loans to small- and medium-sized enterprises and consumers, which reflected an increase in demand for such loans in the southeastern part of Korea.

Interest expense increased 15.0% from 612 billion in 2011 to 704 billion in 2012. The increase in interest expense resulted principally from a 17.4% increase in the average volume of deposits from 16,485 billion in 2011 to 19,348 billion in 2012, which mainly reflected increased demand for deposit products as well as Kyongnam Bank's focus on the marketing of its deposit products, particularly its time and savings deposit products. This increase was enhanced by an increase in the average cost of interest-bearing liabilities, mainly due to the increase in the average cost of time and savings deposits, reflecting Kyongnam Bank's increased marketing efforts to attract such deposits.

Impairment losses on credit loss and others decreased 7.2% from 153 billion in 2011 to 142 billion in 2012, primarily as a result of a decrease in provisions for guarantees, which was mainly attributable to a decrease in the demand for such guarantees from corporate customers.

Non-interest income decreased 9.2% from 459 billion in 2011 to 417 billion in 2012, primarily due to a decrease in gains on transaction of foreign exchange.

Non-interest expense decreased 4.9% from 409 billion in 2011 to 389 billion in 2012, mainly reflecting a decrease in losses on transaction of foreign exchange.

Administrative expenses increased 6.9% from 274 billion in 2011 to 293 billion in 2012, primarily due to an increase in short-term employee benefits.

Table of Contents**Kwangju Bank**

Kwangju Bank is a regional bank that provides financial services in Kwangju and southwestern Korea. Kwangju Bank concentrates on the consumer and small- and medium-sized enterprise banking sectors, offering deposit and loan products to customers in those sectors and, to a lesser extent, large corporate customers.

Pursuant to the Korean government's privatization plan with respect to us and our subsidiaries, we plan to effect a spin-off of the business operations of Kwangju Bank in May 2014. Accordingly, such operations have been accounted for as discontinued operations in our consolidated financial statements as of the year ended December 31, 2013 and for the years ended December 31, 2011, 2012 and 2013 included in this annual report. See Item 4A. History and Development of the Company Privatization Plan.

	Year ended December 31,			Percentage change	
	2011	2012 ⁽¹⁾	2013 ⁽¹⁾	2012/2011	2013/2012
	(in billions of Won)			(%)	
Income statement data					
Interest income	905	936	832	3.4%	(11.1)%
Interest expense	449	487	417	8.5	(14.4)
Net interest income	456	449	415	(1.5)	(7.6)
Non-interest income	206	209	172	1.5	(17.7)
Non-interest expense	148	160	148	8.1	(7.5)
Net non-interest income	58	49	24	(15.5)	(51.0)
Administrative expenses	224	230	246	2.7	7.0
Impairment losses on credit loss and others ⁽²⁾	108	83	112	(23.2)	34.9
Total other expenses	332	313	358	(5.7)	14.4
Operating income	182	185	81	1.7	(56.2)
Share of profits of joint ventures and associates					
Net non-operating income (expenses)	(6)	(7)	(8)	16.7	14.3
Net income before tax	176	178	73	1.1	(59.0)
Income tax expense (benefit)	40	41	12	2.5	(70.7)
Net income	136	137	61	0.7	(55.5)
Controlling interest	136	137	61	0.7	(55.5)
Non-controlling interest					

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

(2) Consist of impairment losses on credit loss, gain (loss) on loan sales and provisions (reversal of provisions).

Comparison of 2013 to 2012

Our net income before tax for this segment decreased 59.0% from 178 billion in 2012 to 73 billion in 2013. Net income after tax also decreased 55.5% from 137 billion in 2012 to 61 billion in 2013.

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

Interest income from our Kwangju Bank operations decreased 11.1% from 936 billion in 2012 to 832 billion in 2013, primarily due to a decrease in the average yield on interest-earning assets resulting from the general decrease in market interest rates. Such decrease was partially offset by a 5.2% increase in average lending volume from 12,995 billion in 2012 to 13,670 billion in 2013, caused primarily by an increase in the average volume of loans to small- and medium-sized enterprises and mortgage loans, reflecting increased demand for such loans in the southwestern part of Korea.

Table of Contents

Interest expense decreased 14.4% from 487 billion in 2012 to 417 billion in 2013. The decrease in interest expense resulted principally from a decrease in the average cost of interest-bearing liabilities, mainly due to a decrease in the average cost of time and savings deposits, reflecting the general decrease in market interest rates. Such decrease was partially offset by a 4.6% increase in the average volume of deposits from 12,827 billion in 2012 to 13,417 billion in 2013, which mainly reflected increased demand for deposit products as well as Kwangju Bank's focus on the marketing of its deposit products, particularly its time and savings deposit products.

Impairment losses on credit loss and others increased 34.9% from 83 billion in 2012 to 112 billion in 2013, primarily as a result of increased loan loss provisioning by Kwangju Bank in connection with companies in workout.

Non-interest income decreased 17.7% from 209 billion in 2012 to 172 billion in 2013, primarily as a result of decreases in commissions relating to bancassurance and project finance.

Non-interest expense decreased 7.5% from 160 billion in 2012 to 148 billion in 2013, mainly reflecting decreases in losses on transactions of derivatives and foreign exchange.

Administrative expenses increased 7.0% from 230 billion in 2012 to 246 billion in 2013, primarily due to increases in the number of employees and average base salaries.

Comparison of 2012 to 2011

Our net income before tax for this segment remained relatively constant at 178 billion in 2012, compared to 176 billion in 2011. Net income after tax also remained relatively constant at 137 billion in 2012 compared to 136 billion in 2011.

Interest income from our Kwangju Bank operations increased 3.4% from 905 billion in 2011 to 936 billion in 2012, primarily due to an increase in average lending volume. The average volume of Kwangju Bank's loans increased 10.7% from 11,740 billion in 2011 to 12,995 billion in 2012, primarily due to an increase in the average volume of loans to small- and medium-sized enterprises and mortgage loans, reflecting increased demand for such loans in the southwestern part of Korea.

Interest expense increased 8.5% from 449 billion in 2011 to 487 billion in 2012. The increase in interest expense resulted principally from an 8.9% increase in the average volume of deposits from 11,773 billion in 2011 to 12,827 billion in 2012, primarily as a result of increased demand for deposit products as well as Kwangju Bank's continuing marketing efforts for such products, particularly time and savings deposit products. This increase was enhanced by an increase in the average cost of interest-bearing liabilities, mainly due to the increase in the average cost of time and savings deposits, reflecting Kwangju Bank's increased marketing efforts to attract such deposits.

Impairment losses on credit loss and others decreased 23.2% from 108 billion in 2011 to 83 billion in 2012, mainly as a result of the reversal of provisions relating to the completion of a litigation case brought against Kwangju Bank by the Export-Import Bank of Korea following a final decision rendered by the Supreme Court of Korea in 2012.

Non-interest income remained relatively constant at 209 billion in 2012 compared to 206 billion in 2011.

Non-interest expense increased 8.1% from 148 billion in 2011 to 160 billion in 2012, primarily due to an increase in other operating expenses, which mainly reflected an increase in credit card commissions paid and deposit insurance premiums.

Administrative expenses increased 2.7% from 224 billion in 2011 to 230 billion in 2012, primarily due to an increase in short-term employee benefits.

Table of Contents**Woori Investment & Securities**

Woori Investment & Securities is engaged in securities brokerage, investment banking, securities investment and trading and other capital markets activities. We currently hold a 37.9% voting interest in Woori Investment & Securities.

Pursuant to the Korean government's privatization plan with respect to us and our subsidiaries, we expect to sell our ownership interest in Woori Investment & Securities to NongHyup Financial Group Inc. Accordingly, the operations of Woori Investment & Securities have been accounted for as discontinued operations in our consolidated financial statements as of December 31, 2013 and for the years ended December 31, 2011, 2012 and 2013 included in this annual report. See Item 4A. History and Development of the Company Privatization Plan.

	Year ended December 31,			Percentage change	
	2011	2012 ⁽¹⁾	2013 ⁽¹⁾	2012/2011	2013/2012
	(in billions of Won)			(%)	
Income statement data					
Interest income	662	718	728	8.5%	1.4%
Interest expense	329	331	347	0.6	4.8
Net interest income	333	387	381	16.2	(1.6)
Non-interest income	3,213	2,777	3,292	(13.6)	18.6
Non-interest expense	2,754	2,443	3,070	(11.3)	25.7
Net non-interest income	459	334	222	(27.2)	(33.5)
Administrative expenses	570	541	528	(5.1)	(2.4)
Impairment losses on credit loss and others ⁽²⁾	7	6	14	(14.3)	133.3
Total other expenses	577	547	542	(5.2)	(0.9)
Operating income	215	174	61	(19.1)	(64.9)
Share of profits of joint ventures and associates	43	5	5	(88.4)	
Net non-operating income (expenses)	(2)	(24)	(2)	(1,100.0)	(91.7)
Net income before tax	256	155	64	(39.5)	(58.7)
Income tax expense (benefit)	58	33	16	(43.1)	(51.5)
Net income	198	122	48	(38.4)	(60.7)
Controlling interest	165	123	48	(25.5)	(61.0)
Non-controlling interest	33	(1)	0	N/M ⁽³⁾	N/M ⁽³⁾

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

(2) Consist of impairment losses on credit loss, gain (loss) on loan sales and provisions (reversal of provisions).

(3) N/M = not meaningful.

Comparison of 2013 to 2012

Our net income before tax for this segment decreased 58.7% from 155 billion in 2012 to 64 billion in 2013. Net income after tax also decreased 60.7% from 122 billion in 2012 to 48 billion in 2013.

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

Interest income for this segment increased 1.4% from 718 billion in 2012 to 728 billion in 2013, principally as a result of an increase in interest income from financial assets at fair value through profit or loss, which mainly reflected an increase in the average volume of such assets, partially offset by a decrease in the average yield on such assets.

Interest expense increased 4.8% from 331 billion in 2012 to 347 billion in 2013, primarily as a result of an increase in the average volume of debentures, which was partially offset by a decrease in the average cost of debentures.

Table of Contents

Impairment losses on credit loss and others for this segment increased 133.3% from 6 billion in 2012 to 14 billion in 2013, primarily as a result of increased loan loss provisioning by Woori Investment & Securities in connection with overseas project finance-related loans.

Non-interest income, which includes commission income from Woori Investment & Securities brokerage operations, increased 18.6% from 2,777 billion in 2012 to 3,292 billion in 2013, due primarily to an increase in gains on transaction of derivatives, which mainly reflected higher transaction volumes.

Non-interest expense increased 25.7% from 2,443 billion in 2012 to 3,070 billion in 2013, primarily as a result of an increase in losses on transaction of derivatives, which mainly reflected higher transaction volumes.

Administrative expenses decreased 2.4% from 541 billion in 2012 to 528 billion in 2013, primarily due to decreases in depreciation expenses and short-term employee benefits, the latter of which mainly reflected a decrease in performance-based compensation.

Comparison of 2012 to 2011

Our net income before tax for this segment decreased 39.5% from 256 billion in 2011 to 155 billion in 2012. Net income after tax also decreased 38.4% from 198 billion in 2011 to 122 billion in 2012.

Interest income for this segment increased 8.5% from 662 billion in 2011 to 718 billion in 2012, principally as a result of an increase in interest income from due from banks, which mainly reflected the holding of a significant portion of the proceeds from the capital increase of Woori Investment & Securities in December 2011 as time deposits in other banks in 2012.

Interest expense remained relatively constant at 331 billion in 2012 compared to 329 billion.

Impairment losses on credit loss and others for this segment remained relatively constant at 6 billion in 2012 to 7 billion in 2011.

Non-interest income, which includes commission income from Woori Investment & Securities brokerage operations, decreased 13.6% from 3,213 billion in 2011 to 2,777 billion in 2012, mainly due to a decrease in brokerage fees, which principally reflected a decrease in the volume of fee-earning transactions brokered by Woori Investment & Securities.

Non-interest expense decreased 11.3% from 2,754 billion in 2011 to 2,443 billion in 2012, primarily as a result of a decrease in loss on transaction of available-for-sale financial assets.

Administrative expenses decreased 5.1% from 570 billion in 2011 to 541 billion in 2012, primarily due to a decrease in short-term employee benefits, mainly reflecting a decrease in performance-based compensation.

Other Operations

Other operations include the operations of Woori Finance Holdings and all of our subsidiaries (other than Woori Bank, Kyongnam Bank and Kwangju Bank and Woori Investment & Securities), including principally Woori FIS, Woori F&I, Woori Asset Management, Woori Private Equity, Woori Financial, Woori FG Savings Bank (which was established to acquire certain assets and assume certain liabilities of Samhwa Mutual Savings Bank in March 2011 and subsequently also acquired certain assets and assumed certain liabilities of Solomon Savings Bank in 2012) and a number of other smaller subsidiaries, none of which constituted a separate reportable segment. Commencing in 2013, other operations also include the former credit card business of Woori Bank, which we spun off into a newly established wholly-owned subsidiary, Woori Card, in April 2013. The results of operations of the former credit card business of Woori Bank for 2011 and 2012 are included in the results of operations of the Woori Bank segment. In addition, commencing in June 2013, other operations include Woori Investment Bank (formerly named Kumho Investment Bank), which became a consolidated subsidiary through an internal reorganization in June 2013.

Pursuant to the Korean government's privatization plan with respect to us and our subsidiaries, we sold our 52.0% ownership interest in Woori Financial to KB Financial Group Inc. in March 2014. We also entered into

Table of Contents

share purchase agreements for (i) the sale of our 100% ownership interest in Woori Asset Management to Kiwoom Securities Co., Ltd. in February 2014, (ii) the sale of our 100% ownership interest in Woori F&I to Daishin Securities Co., Ltd. in April 2014 and (iii) the sale of our 100% ownership interest in Woori FG Savings Bank to NongHyup Financial Group Inc. in April 2014. Accordingly, the business operations of Woori Financial, Woori Asset Management, Woori FG Savings Bank and Woori F&I have been accounted for as discontinued operations in our consolidated financial statements as of December 31, 2013 and for the years ended December 31, 2011, 2012 and 2013 included in this annual report. See Item 4A. History and Development of the Company Privatization Plan Disposal of Woori Financial, Woori Asset Management, Woori F&I, Woori Investment & Securities, Woori Aviva Life Insurance and Woori FG Savings Bank.

	Year ended December 31,			Percentage change	
	2011	2012 ⁽¹⁾	2013 ⁽¹⁾	2012/2011	2013/2012
	(in billions of Won)			(%)	
Income statement data					
Interest income	511	566	799	10.8%	41.2%
Interest expense	507	489	511	(3.6)	4.5
Net interest income	4	77	288	1,825.0	274.0
Non-interest income	1,285	1,219	1,404	(5.1)	15.2
Non-interest expense	265	227	680	(14.3)	199.6
Net non-interest income	1,020	992	724	(2.8)	(27.0)
Administrative expenses	424	469	553	10.6	17.9
Impairment losses on credit loss and others ⁽²⁾	207	123	289	(40.6)	135.0
Total other expenses	631	592	842	(6.2)	42.2
Operating income	393	477	170	21.4	(64.4)
Share of profits of joint ventures and associates	(23)	18	15	N/M ⁽³⁾	(16.7)
Net non-operating income (expenses)	17	4	(359)	(76.5)	N/M ⁽³⁾
Net income before tax	387	499	(174)	28.9	N/M ⁽³⁾
Income tax expense (benefit)	30	34	412	13.3	1,111.8
Net income	357	465	(586)	30.3	N/M ⁽³⁾
Controlling interest	386	486	(564)	25.9	N/M ⁽³⁾
Non-controlling interest	(29)	(21)	(22)	(27.6)	4.8

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

(2) Consist of impairment losses on credit loss, gain (loss) on loan sales and provisions (reversal of provisions).

(3) N/M = not meaningful.

Comparison of 2013 to 2012

For this segment, we had a net loss before tax of 174 billion in 2013 compared to net income before tax of 499 billion in 2012. Net loss after tax was 586 billion in 2013 compared to net income after tax of 465 billion in 2012.

Interest income for this segment increased 41.2% from 566 billion in 2012 to 799 billion in 2013, mainly as a result of the inclusion of the interest income of the former credit card business of Woori Bank in this segment commencing in 2013.

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

Interest expense increased 4.5% from 489 billion in 2012 to 511 billion in 2013, primarily due to the inclusion of the interest expense of the former credit card business of Woori Bank in this segment commencing in 2013.

Table of Contents

Impairment losses on credit loss and others increased 135.0% from 123 billion in 2012 to 289 billion in 2013. This decrease was primarily the result of the inclusion of the provisions for credit losses of the former credit card business of Woori Bank in this segment commencing in 2013.

Non-interest income increased 15.2% from 1,219 billion in 2012 to 1,404 billion in 2013, mainly due to the inclusion of the non-interest income of the former credit card business of Woori Bank in this segment commencing in 2013.

Non-interest expense increased 199.6% from 227 billion in 2012 to 680 billion in 2013, primarily as a result of the inclusion of the non-interest expense of the former credit card business of Woori Bank in this segment commencing in 2013.

Administrative expenses increased 17.9% from 469 billion in 2012 to 553 billion in 2013, primarily due to the inclusion of the administrative expenses of the former credit card business of Woori Bank in this segment commencing in 2013.

Net non-operating expenses were 359 billion in 2013 compared to net non-operating income of 4 billion in 2012, primarily as a result of impairment losses recognized in 2013 by Woori Finance Holdings on assets held for sale, including its ownership interest in Woori Investment & Securities, Woori FG Savings Bank and Woori Aviva Life Insurance.

Income tax expense increased substantially from 34 billion in 2012 to 412 billion in 2013, primarily due to the recognition by Woori Finance Holdings as income tax expense in 2013 of certain Korean taxes that may be imposed in connection with the spin-off of the business operations of Kyongnam Bank and Kwangju Bank, if a proposed amendment to the Tax Reduction and Exemption Control Act of Korea that would allow the spin-off to be recognized as a tax-free transaction is not adopted by the Korean National Assembly or does not become effective prior to the date of the spin-off.

Comparison of 2012 to 2011

Our net income before tax for this segment increased 28.9% from 387 billion in 2011 to 499 billion in 2012. Net income after tax also increased 30.3% from 357 billion in 2011 to 465 billion in 2012.

Interest income for this segment increased 10.8% from 511 billion in 2011 to 566 billion in 2012, mainly as the result of the inclusion of Woori FG Savings Bank's full-year interest income in this segment commencing in 2012.

Interest expense decreased 3.6% from 507 billion in 2011 to 489 billion in 2012, primarily due to a decrease in the average cost of debentures issued by Woori Finance Holdings, which was partially offset by the inclusion of Woori FG Savings Bank's full-year interest expense in this segment commencing in 2012.

Impairment losses on credit loss and others decreased 40.6% from 207 billion in 2011 to 123 billion in 2012. This decrease was primarily the result of a decrease in provisions for credit losses of Woori Private Equity.

Non-interest income decreased 5.1% from 1,285 billion in 2011 to 1,219 billion in 2012, mainly due to a decrease in gains on transaction of foreign exchange by Woori Private Equity.

Non-interest expense decreased 14.3% from 265 billion in 2011 to 227 billion in 2012, primarily as a result of a decrease in losses on transaction of foreign exchange by Woori Private Equity.

Administrative expenses increased 10.6% from 424 billion in 2011 to 469 billion in 2012, primarily due to an increase in depreciation and amortization expense of Woori FIS.

Net non-operating income decreased 76.5% from 17 billion in 2011 to 4 billion in 2012, due mainly to losses of 33 billion realized by us upon Woori Private Equity's partial disposal of its interest in MyAsset Manhattan Private Equity Real Estate Trust I in 2012.

Table of Contents**Item 5B. Liquidity and Capital Resources**
Financial Condition**Assets**

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

	2011	As of December 31,		Percentage change	
		2012 ⁽¹⁾	2013 ⁽¹⁾⁽²⁾	2012/2011	2013/2012
	(in billions of Won)			(%)	
Cash and cash equivalents	6,417	5,778	5,478	(10.0)%	(5.2)%
Financial assets at fair value through profit or loss	25,600	27,352	4,806	6.8	(82.4)
Available-for-sale financial assets	19,672	18,889	17,085	(4.0)	(9.6)
Held-to-maturity financial assets	20,036	18,685	12,039	(6.7)	(35.6)
Loans and receivables:					
Due from banks	15,340	14,375	10,208	(6.3)	(29.0)
Loans in local currency	171,590	178,387	156,028	4.0	(12.5)
Loans in foreign currencies	13,243	10,454	9,997	(21.1)	(4.4)
Domestic bankers' letter of credit	5,423	5,241	4,959	(3.4)	(5.4)
Credit card accounts	4,592	4,501	4,206	(2.0)	(6.6)
Bills bought in local currency	661	888	186	34.3	(79.1)
Bills bought in foreign currencies	5,672	4,663	4,235	(17.8)	(9.2)
Factoring receivables	276	187	176	(32.3)	(5.9)
Advances for customers on guarantees	42	128	55	204.8	(57.0)
Privately placed bonds	1,738	1,448	485	(16.7)	(66.5)
Loans to be converted to equity securities	2	2	0		(100.0)
Finance leases	662	640		(3.3)	
Loans for installment	1,535	1,811		18.0	
Securitized loans	1,614	1,585	311	(1.8)	(80.4)
Loans secured by securities	1,181	1,231		4.2	
Call loans	3,432	5,378	8,092	56.7	50.5
Bonds purchased under resale agreements	749	4,414	4,981	489.3	12.9
Other loans	226	303	326	34.1	7.6
Other receivables	10,941	18,205	11,004	66.4	(39.6)
	238,919	253,841	215,249	6.3	(15.2)
Less:					
Allowance for credit losses	3,759	3,565	3,337	(5.2)	(6.4)
Total loans and receivables, net	235,160	250,276	211,912	6.4	(15.3)
Premises and equipment, net	3,134	3,186	2,536	1.7	(20.4)
Other assets ⁽³⁾	2,772	2,936	1,837	5.9	(37.4)
Disposal group held for sale			34,685		
Disposal group held for distribution			50,312		
Total assets	312,791	327,102	340,690	4.6%	4.2%

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

(2)

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

The amounts as of December 31, 2013 reflect the classification of certain subsidiaries as a disposal group held for distribution or sale. See Overview Privatization Plan.

- (3) Includes investments in joint ventures and associates, investment properties, intangible assets and goodwill, current tax assets, deferred tax assets, derivative assets, assets held for sale and other assets.

Table of Contents

For further information on our assets, see Item 4B. Business Overview Assets and Liabilities.

Comparison of 2013 to 2012

Our total assets increased 4.2% from 327,102 billion as of December 31, 2012 to 340,690 billion as of December 31, 2013. However, the amounts for most asset categories decreased from December 31, 2012 to December 31, 2013, primarily as a result of the classification of Kwangju Bank, Kyongnam Bank, Woori Investment & Securities, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I as a disposal group held for distribution or sale as of December 31, 2013, in light of their planned disposition pursuant to the privatization plan of the Korean government with respect to us and our subsidiaries. See Item 4A. History and Development of the Company Privatization Plan.

Comparison of 2012 to 2011

Our total assets increased 4.6% from 312,791 billion as of December 31, 2011 to 327,102 billion as of December 31, 2012, principally due to a 66.4% increase in other receivables from 10,941 billion as of December 31, 2011 to 18,205 billion as of December 31, 2012, a 4.0% increase in loans in local currency from 171,590 billion as of December 31, 2011 to 178,387 billion as of December 31, 2012 and a 489.3% increase in bonds purchased under resale agreements from 749 billion as of December 31, 2011 to 4,414 billion as of December 31, 2012. The effect of these increases was partially offset by a 21.1% decrease in loans in foreign currencies from 13,243 billion as of December 31, 2011 to 10,454 billion as of December 31, 2012, a 6.7% decrease in held-to-maturity financial assets from 20,036 billion as of December 31, 2011 to 18,685 billion as of December 31, 2012 and a 17.8% decrease in bills bought in foreign currencies from 5,672 billion as of December 31, 2011 to 4,663 billion as of December 31, 2012.

Table of Contents**Liabilities and Equity**

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

	2011	As of December 31, 2012 ⁽¹⁾ (in billions of Won)	2013 ⁽¹⁾⁽²⁾	Percentage change 2012/2011 2013/2012 (%)	
Liabilities:					
Financial liabilities at fair value through profit or loss	9,622	10,986	2,507	14.2%	(77.2)%
Deposits due to customers	195,930	204,210	175,324	4.2	(14.2)
Borrowings	34,667	33,480	18,232	(3.4)	(45.5)
Debentures	29,266	27,960	21,678	(4.5)	(22.5)
Provisions	892	864	685	(3.1)	(20.7)
Other financial liabilities	19,084	25,544	19,914	33.9	(22.0)
Other liabilities ⁽³⁾	1,257	1,025	543	(18.5)	(47.0)
Liabilities directly associated with disposal group held for sale					
			32,048		
Liabilities directly associated with disposal group held for distribution to owners					
			46,882		
Total liabilities	290,718	304,069	317,813	4.6	4.5
Equity:					
Capital stock	4,030	4,030	4,030		
Hybrid securities	309	498	498	61.2	
Capital surplus	176	174	177	(1.1)	1.7
Other equity	563	112	(35)	(80.1)	N/M ⁽⁴⁾
Retained earnings	12,446	13,881	13,113	11.5	(5.5)
Equity directly associated with disposal group held for sale					
			30		
Equity directly associated with disposal group held for distribution to owners					
			36		
Controlling interests	17,524	18,695	17,849	6.7	(4.5)
Non-controlling interests	4,549	4,338	5,028	(4.6)	15.9
Total equity	22,073	23,033	22,877	4.4	(0.7)
Total liabilities and equity	312,791	327,102	340,690	4.6%	4.2%

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

(2) The amounts as of December 31, 2013 reflect the classification of certain subsidiaries as a disposal group held for distribution or sale. See [Overview Privatization Plan](#).

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

(4) N/M = not meaningful.

For further information on our liabilities, see [Item 4B. Business Overview Assets and Liabilities](#).

Comparison of 2013 to 2012

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

Our total liabilities increased 4.5% from 304,069 billion as of December 31, 2012 to 317,813 billion as of December 31, 2013. However, the amounts for most categories of liabilities decreased from December 31, 2012 to December 31, 2013, primarily as a result of the classification of the liabilities of Kwangju Bank,

Table of Contents

Kyongnam Bank, Woori Investment & Securities, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I as liabilities directly associated with a disposal group held for distribution or sale as of December 31, 2013, in light of their planned disposition pursuant to the privatization plan of the Korean government with respect to us and our subsidiaries. See Item 4A. History and Development of the Company Privatization Plan.

Our total equity decreased by 0.7% from 23,033 billion as of December 31, 2012 to 22,877 billion as of December 31, 2013. This decrease resulted principally from a decrease in our retained earnings, which was attributable to the net loss we generated in 2013. The decrease in total equity also reflected a decrease in other equity, including as a result of the classification of accumulated other comprehensive income of Kwangju Bank, Kyongnam Bank, Woori Investment & Securities, Woori Aviva Life Insurance, Woori Asset Management, Woori Financial, Woori FG Savings Bank and Woori F&I as equity directly associated with a disposal group held for distribution or sale as of December 31, 2013, in light of their planned disposition pursuant to the privatization plan of the Korean government with respect to us and our subsidiaries. See Item 4A. History and Development of the Company Privatization Plan.

Comparison of 2012 to 2011

Our total liabilities increased 4.6% from 290,718 billion as of December 31, 2011 to 304,069 billion as of December 31, 2012. The increase was primarily due to increases in deposits due to customers and other financial liabilities. Our deposits due to customers increased 4.2% from 195,930 billion as of December 31, 2011 to 204,210 billion as of December 31, 2012, mainly as a result of an increase in time deposits in local currency. Our other financial liabilities increased 33.9% from 19,084 billion as of December 31, 2011 to 25,544 billion as of December 31, 2012, principally due to an increase in accounts payable.

Our total equity increased by 4.4% from 22,073 billion as of December 31, 2011 to 23,033 billion as of December 31, 2012. This increase resulted principally from an increase in our retained earnings, which was attributable to the net income we generated in 2012.

Liquidity

Our primary source of funding has historically been and continues to be customer deposits, particularly lower-cost retail deposits. Deposits amounted to 195,930 billion, 204,210 billion and 175,324 billion (excluding discontinued operations) as of December 31, 2011, 2012 and 2013, which represented approximately 75.3%, 76.7% and 81.3% of our total funding, respectively. We have historically been able to use customer deposits to finance our operations generally, including meeting a portion of our liquidity requirements. Although the majority of deposits are short-term, it has been our experience that the majority of our depositors generally roll over their deposits at maturity, thus providing us with a stable source of funding. However, in the event that a substantial number of our depositors do not roll over their deposits or otherwise decide to withdraw their deposited funds, we would need to place increased reliance on alternative sources of funding, some of which may be more expensive than customer deposits, in order to finance our operations. See Item 3D. Risk Factors Other risks relating to our business Our funding is highly dependent on short-term deposits, which dependence may adversely affect our operations. In particular, we may increase our utilization of alternative funding sources such as short-term borrowings and cash and cash equivalents (including funds from maturing loans), as well as liquidating our positions in trading and investment securities and using the proceeds to fund parts of our operations, as necessary.

We also obtain funding through borrowings and debentures to meet our liquidity needs. Borrowings represented 13.3%, 12.6% and 8.5% (excluding discontinued operations) of our total funding as of December 31, 2011, 2012 and 2013, respectively. Debentures represented 11.2%, 10.5% and 10.0% (excluding discontinued operations) of our total funding as of December 31, 2011, 2012 and 2013, respectively. For further information on our sources of funding, see Item 4B. Business Overview Assets and Liabilities Funding.

Our liquidity risks arise from withdrawals of deposits and maturities of our borrowings and debentures, as well as our need to fund our lending, trading and investment activities and to manage our trading positions. Our

Table of Contents

goal in managing our liquidity is to be able, even under adverse conditions, to meet all of our liability repayments on time and to fund all investment opportunities. For a discussion of how we manage our liquidity risk, see Item 11. Quantitative and Qualitative Disclosures about Market Risk Liquidity Risk Management.

The Financial Services Commission requires each Korean bank to maintain specific Won and foreign currency liquidity ratios. These ratios require each of our banking subsidiaries to keep its ratio of liquid assets to liquid liabilities above certain minimum levels. For a description of these requirements, see Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Banks Liquidity.

We are a financial holding company, and substantially all of our operations are in our subsidiaries. Accordingly, we rely on distributions from our subsidiaries, direct borrowings and issuances of debt and equity securities to fund our liquidity obligations at the holding company level. We received aggregate dividends of 516 billion, 562 billion and 254 billion from our subsidiaries (including discontinued operations) in 2011, 2012 and 2013, respectively. See Item 3D. Risk Factors Risks relating to our financial holding company structure and strategy.

Contractual Obligations and Off-Balance Sheet Arrangements

The following table sets forth our contractual obligations as of December 31, 2013 (excluding discontinued operations):

	Total	Payments due by period			
		Less than 1 year	1-3 years (in billions of Won)	3-5 years	More than 5 years
Contractual obligations					
Borrowing obligations ⁽¹⁾	18,785	14,920	2,455	783	627
Debenture obligations ⁽¹⁾	24,050	9,563	8,332	2,270	3,885
Deposits ⁽²⁾⁽³⁾	180,131	169,733	6,391	360	3,647
Capital (finance) lease obligations	68	25	41	2	
Operating lease obligations	297	187	55	43	12
Purchase obligations	86	25	40	21	
Employee severance plan obligations	1,612	22	57	85	1,448
Total	225,029	194,475	17,371	3,564	9,619

(1) Includes estimated future interest payments, which have been estimated using contractual interest rates and scheduled contractual maturities of the outstanding borrowings and debentures as of December 31, 2013. In order to calculate future interest payments on debts with floating rates, we used contractual interest rates as of December 31, 2013.

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

(3) Includes estimated future interest payments, which have been estimated using weighted average interest rates paid for 2013 for each deposit product category and their scheduled contractual maturities.

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

We also enter into transactions with certain structured entities, including through the purchase of their subordinated debt and the provision of credit facilities to them.

Table of Contents

The following table sets forth our off-balance sheet guarantees and commitments (including discontinued operations) as of the dates indicated:

	2011	As of December 31, 2012 (in billions of Won)	2013
Confirmed guarantees	11,571	9,769	9,806
Guarantees for debenture issuances	0		
Guarantees for loans	291	172	211
Acceptances	840	622	877
Letters of guarantee	142	124	173
Other confirmed guarantees	10,298	8,851	8,545
Unconfirmed guarantees	8,973	9,017	7,546
Local letters of credit	1,003	853	743
Import letters of credit	4,837	5,795	5,024
Other unconfirmed guarantees	3,133	2,369	1,779
Commercial paper purchase commitments and others	6,158	4,948	5,448
Loan commitments and others	98,436	98,029	93,874
Loans	88,401	91,363	90,728
Others	10,035	6,666	3,146

We analyze our off-balance sheet legally binding credit-related commitments for possible losses associated with such commitments. We review the ability of the counterparties of the underlying credit-related commitments to perform their obligations under the commitments and, if we determine that a loss is probable and estimable, we establish allowances for possible losses in a manner similar to allowances that we would establish with respect to a loan granted under the terms of the applicable commitment. These allowances are reflected as provisions in our statement of financial position. As of December 31, 2013, we had established provisions for possible losses of 626 billion (excluding discontinued operations) with respect to our credit-related commitments.

Capital Adequacy

Our subsidiary Woori Bank is subject to the capital adequacy requirements of the Financial Services Commission. The requirements applicable prior to December 2013 were formulated based on Basel II, which was first published by the Basel Committee on Banking Supervision, Bank for International Settlements in 2004. The requirements applicable commencing in December 2013 pursuant to amended Financial Services Commission regulations promulgated in July 2013 were formulated based on Basel III, which was first introduced by the Basel Committee on Banking Supervision, Bank for International Settlements in December 2009. Under the amended Financial Services Commission regulations, all banks in Korea are required to maintain certain minimum ratios of Tier I common equity capital, total Tier I capital and total Tier I and Tier II capital to risk-weighted assets. See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Banks Capital Adequacy.

If a bank fails to maintain its capital adequacy ratios, the Korean regulatory authorities may impose penalties on such bank ranging from a warning to suspension or revocation of its license. See Item 3D. Risk Factors Other risks relating to our business We and Woori Bank may be required to raise additional capital if our capital adequacy ratio deteriorates or the applicable capital requirements change in the future, but we may not be able to do so on favorable terms or at all.

Table of Contents

The following table sets forth a summary of the capital and capital adequacy ratios of Woori Bank as of December 31, 2011, 2012 and 2013 based on IFRS and applicable regulatory reporting standards:

	2011 ⁽¹⁾	As of December 31, 2012 ⁽¹⁾	2013
	(in billions of Won, except percentages)		
Tier I capital			
Tier I common equity capital			
Paid-in capital	3,830	3,830	2,983
Capital surplus	812	812	735
Retained earnings	9,403	10,010	10,989
Minority interests in consolidated subsidiaries	8	8	2
Others	(674)	(502)	(201)
Additional Tier I capital			
Hybrid securities	1,682	1,682	2,143
Others			4
Total Tier I capital	15,061	15,840	16,655
Tier II capital			
Allowance for credit losses ⁽²⁾	1,139	1,106	873
Subordinated debt ⁽³⁾	2,432	2,986	2,854
Valuation gain on investment securities	162	34	
Others	536	538	1
Total Tier II capital	4,269	4,664	3,728
Total Tier I and Tier II capital	19,330	20,504	20,383
Risk-weighted assets			
Credit risk-weighted assets	130,992	128,679	120,868
Market risk-weighted assets	1,374	2,236	2,128
Operational risk-weighted assets	7,924	8,618	8,317
Total	140,290	139,533	131,313
Tier I common equity capital ratio			11.05%
Total Tier I capital ratio	10.74%	11.35%	12.68%
Tier II capital ratio	3.04%	3.35%	2.84%
Total Tier I and Tier II capital ratio	13.78%	14.70%	15.52%

(1) With effect from December 1, 2013, the Financial Services Commission adopted amended guidelines that implemented capital adequacy requirements in Korea based on Basel III. Amounts and ratios as December 31, 2011 and 2012 were computed in accordance with previously applicable guidelines based on Basel II and therefore are not directly comparable to corresponding amounts and ratios as of December 31, 2013.

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

(3) Subordinated debt representing up to 50% of Tier I capital is used in the calculation of Tier II capital.

In addition, we, as a bank holding company, are required to maintain certain minimum capital adequacy ratios pursuant to applicable regulations of the Financial Services Commission. See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Financial Holding Companies Capital Adequacy.

Table of Contents

The following table sets forth a summary of our consolidated capital adequacy ratio as of December 31, 2013, based on IFRS and applicable regulatory reporting standards:

	As of December 31, 2013 (in billions of Won, except percentages)
Tier I capital	
Tier I common equity capital	14,855
Additional Tier I capital	5,454
Total Tier I capital	20,309
Tier II capital	5,830
Risk-weighted assets	200,978
Tier I common equity capital ratio	7.39%
Total Tier I capital ratio	10.11%
Tier II capital ratio	2.90%
Total Tier I and Tier II capital ratio	13.01%

Recent Accounting Pronouncements

See Note 2-(1)-2) of the notes to our consolidated financial statements for a description of recent accounting pronouncements under IFRS as issued by the IASB that have been issued but are not yet effective.

Item 5C. *Research and Development, Patents and Licenses, etc.*
Not Applicable

Item 5D. *Trend Information*
These matters are discussed under Item 5A and Item 5B above where relevant.

Item 5E. *Off-Balance Sheet Arrangements*
See Item 5B. Liquidity and Capital Resources Financial Condition Contractual Obligations and Off-Balance Sheet Arrangements.

Item 5F. *Tabular Disclosure of Contractual Obligations*
See Item 5B. Liquidity and Capital Resources Financial Condition Contractual Obligations and Off-Balance Sheet Arrangements.

Item 5G. *Safe Harbor*
See Forward-Looking Statements.

Item 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Item 6A. *Directors and Senior Management*
Board of Directors

Our board of directors has the ultimate responsibility for managing our affairs. The board currently comprises one standing director and six outside directors. Standing directors are directors who are full-time executive officers of Woori Finance Holdings, while outside directors are directors who are not full-time executive officers.

Our articles of incorporation provide that the board can have no more than 15 directors. Standing directors must comprise less than 50% of the total number of directors and there must be at least three outside directors.

Table of Contents

Each standing director may be elected for a term of office not exceeding three years, as determined at the general meeting of shareholders, and may be re-elected. Each outside director may be elected for a term of office not exceeding two years, and may be re-elected for successive one-year terms, provided that the outside director may not serve in such office for more than five consecutive years. In addition, with respect to both standing and outside directors, such term of office is extended until or reduced to, as the case may be, the close of the annual general meeting of stockholders convened in respect of the last fiscal year of the director's term of office. These terms are subject to the Korean Commercial Code, the Financial Holding Company Act and related regulations. Each director may be re-elected, subject to these laws and regulations.

Our board of directors meets regularly on a quarterly basis to discuss and resolve various corporate matters. The board may also convene for additional extraordinary meetings at the request of any of the directors.

The names and positions of our directors are set forth below. The business address of all of the directors is our registered office at 51, Sogong-ro, Jung-gu, Seoul, Korea.

Standing Director

Our standing director is as follows:

Name	Age	Position	Director Since
Soon-Woo Lee	63	Chairman and Chief Executive Officer	June 14, 2013

Our standing director is not involved in any significant business activities outside Woori Finance Holdings and our subsidiaries.

Soon-Woo Lee was elected as our standing director in June 2013. He serves as the chief executive officer of Woori Finance Holdings and has been serving as the chief executive officer of Woori Bank since March 2011. Prior to that, he served as an executive vice president and head of the consumer banking business of Woori Bank. Mr. Lee holds a Bachelor of Law from Sungkyunkwan University.

Outside Directors

Our outside directors are selected based on their experience and knowledge in diverse areas, which include law, finance, economics, management and accounting. We currently have six outside directors. All were nominated by the Outside Directors Recommendation Committee and approved by our shareholders.

Our outside directors are as follows:

Name	Age	Position	Director Since	Year Term Ends ⁽¹⁾
Hee-Yul Chai	54	Outside Director	March 22, 2013	2015
Young-Soo Park	62	Outside Director	March 22, 2013	2015
Sang-Keun Oh	57	Outside Director	March 21, 2014	2015
Kang-Shik Choi	53	Outside Director	March 21, 2014	2015
Seong-Yeal Lim	50	Outside Director	March 21, 2014	2015
Min Chang	49	Outside Director	March 21, 2014	2015

⁽¹⁾ The date on which each term will end will be the date of the general stockholders' meeting in the relevant year.

Hee-Yul Chai was elected as an outside director in March 2013. He is currently a professor of economics at Kyonggi University, and was formerly a non-standing commissioner of the Financial Services Commission. He received a Bachelor of Arts in Economics from Seoul National University and a Ph.D. in Economics from University of Paris X.

Young-Soo Park was elected as an outside director in March 2013. He is currently the representative attorney of Law Firm Gangnam, and was formerly the chief prosecutor at the Central Investigation Department of the Supreme Prosecutor's Office of Korea. He received a Bachelor of

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

Liberal Arts and Sciences degree from Seoul National University and a Ph.D. in Economic Law from Dankook University.

Table of Contents

Sang-Keun Oh was elected as an outside director in March 2014. He currently serves as a professor at Dong A University. He holds a Bachelor of Arts in Economics from Sungkyunkwan University, a Master of Arts in Economics from Seoul National University and a Ph.D. in Economics from University of Wisconsin-Madison.

Kang-Shik Choi was elected as an outside director in March 2014. He currently serves as a professor at Yonsei University. He holds a Bachelor of Arts and a Master of Arts in Economics from Yonsei University and a Ph.D. in Economics from Yale University.

Seong-Yeal Lim was elected as an outside director in March 2014. He currently serves as a General Manager at the KDIC. He holds a Bachelor of Arts in Economics and a Master of Arts in Public Administration from Seoul National University.

Min Chang was elected as an outside director in March 2014. He currently serves as a Director at the Korea Institute of Finance. He holds a Bachelor of Arts in Economics from Seoul National University and a Ph.D. in Economics from Michigan State University.

If any director wishes to enter into a transaction with us in his or her personal capacity, he or she must obtain the prior approval of our board of directors. The director having an interest in the transaction may not vote at the meeting during which the board approves the transaction.

Executive Officers

In addition to the standing director who is also our executive officer, we currently have the following four executive officers.

Name	Age	Position
Seung-Gyu Kim	57	Executive Vice President
Hwa Young Jeong	57	Executive Vice President
Seung Rok Kim	55	Managing Director
Nam Hee Lee	57	Managing Director

Seung-Gyu Kim serves as an executive vice president in charge of our strategic planning and financial planning departments. Prior to that, he was the president of Woori Credit Information. He holds a Bachelor of Arts in Economics from Sungkyunkwan University.

Hwa Young Jeong serves as an executive vice president in charge of our synergy and management support departments. Prior to that, he was an executive vice president of Woori Bank. He holds a Bachelor of Arts in Political Economy from Dongguk University.

Seung Rok Kim serves as a managing director in charge of compliance. Prior to that, he was a regional sales center head of Woori Bank. He holds a Bachelor of Art in Economics from Sogang University.

Nam Hee Lee serves as a managing director in charge of risk management, IT planning and management inspection. Prior to that, she was the head of risk management. She holds a Bachelor of Science in Clothing and Textiles from Seoul National University.

None of the executive officers is involved in any significant business activities outside Woori Finance Holdings and our subsidiaries.

Item 6B. Compensation

The aggregate remuneration and benefits-in-kind we paid in 2013 to our chairman and chief executive officer, our outside directors and our other executive officers was 1,107 million. In 2013, we did not record additional provisions for allowances for severance and retirement benefits for such directors and officers, as no such directors or officers had been employed with us for over one year in 2013. We do not have service contracts with any of these directors or officers that provide for benefits if employment with us is terminated.

In 2013, we did not grant any stock options and, accordingly, did not recognize any compensation expense for stock options granted under our stock option plan. As of the date of this annual report, we do not have any stock options outstanding.

Table of Contents

Item 6C. *Board Practices*

See Item 6A. Directors and Senior Management Board of Directors and Item 6B. Compensation for information concerning the terms of office and contractual employment arrangements with our directors and executive officers.

Committees of the Board of Directors

We currently have nine committees that serve under the board:

the Management Committee;

the Business Development and Compensation Committee;

the Risk Management Committee;

the Audit Committee;

the Standing Directors Committee;

the Ethics Committee;

the Outside Directors Recommendation Committee;

the MOU Evaluation Committee; and

the Audit Committee Member Candidate Recommendation Committee.

The board appoints each member of these committees except for members of the Audit Committee, who are elected by our stockholders at the annual general meeting.

Management Committee

This committee consists of one standing director and four outside directors who serve as chairmen of other committees under the board of directors: Soon-Woo Lee, Young-Soo Park, Sang-Keun Oh, Hee-Yul Chai and Kang-Shik Choi. The chairman is Soon-Woo Lee. This committee, which functions as a steering committee, enables broad management oversight of our operations. It is responsible for the following:

setting rules and procedures for operations of our board and its various committees;

resolving issues relating to critical management-related matters like restructuring;

formulating management strategies and policies; and

determining policies to enhance our corporate governance structure.

This committee holds regular meetings every six months.

Business Development and Compensation Committee

This committee consists of four outside directors: Young-Soo Park, Sang-Keun Oh, Hee-Yul Chai and Kang-Shik Choi. The chairman is Kang-Shik Choi. It is responsible for all matters relating to the following:

management's performance in developing our business;

setting goals and targets with respect to and evaluating executive performance; and

fixing executive compensation, including incentives and bonuses.

This committee holds regular meetings every six months.

Table of Contents

Risk Management Committee

This committee consists of one standing director and four outside directors: Soon-Woo Lee, Hee-Yul Chai, Kang-Shik Choi, Seong-Yeal Lim and Min Chang. The chairman is Hee-Yul Chai. It oversees and makes determinations on all issues relating to our group-wide, standardized risk management system. It implements policies regarding, monitors and has ultimate responsibility for managing credit, market and liquidity risk and asset and liability management. The major roles of the Group Risk Management Committee include:

determining and amending risk management policies, guidelines and limits in conformity with the strategy established by the board of directors;

determining the appropriate level of risks that we should be willing to undertake, including in connection with key business activities such as acquisitions, investments or entering into new business areas, prior to a decision by the board of directors on such matters;

allocating risk capital to each subsidiary and setting our subsidiaries' risk limits;

reviewing our group-wide risk profile, including the level of risks we are exposed to and the status of our risk management operations; and

monitoring our subsidiaries' compliance with our risk policies.

The Group Risk Management Committee regularly receives reports from the Group Risk Management Council as well as the Group Risk Management Department, which in turn receives reports from the subsidiary level risk management committees and units. See Item 11. Quantitative and Qualitative Disclosures about Market Risk. The committee holds regular meetings every quarter.

Audit Committee

This committee consists of six outside directors: Young-Soo Park, Sang-Keun Oh, Hee-Yul Chai, Kang-Shik Choi, Seong-Yeal Lim and Min Chang. The chairman is Young-Soo Park. It reviews all audit and compliance-related matters and makes recommendations to our board. This committee also is responsible for the following:

formulating, executing, evaluating and managing internal audit plans (including the financial and operational audits);

approving the appointment and dismissal of the head of the audit team;

approving the appointment of external auditors and evaluating the activities carried out by external auditors;

formulating appropriate measures to correct problems identified from internal audits;

overseeing the reporting systems within our holding company structure and all disclosure rules and requirements to ensure compliance with applicable regulations; and

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

examining internal procedures or making decisions on material matters that are related to audits as determined by the regulatory authorities, our board or other committees.

This committee also makes recommendations on regulatory issues to the Financial Supervisory Service, if and when deemed necessary. In addition, in connection with general meetings of stockholders, the committee examines the agenda for, and financial statements and other reports to be submitted by, the board of directors to each general meeting of stockholders. The internal and external auditors report directly to the Audit Committee chairman. Our external auditor is invited to attend meetings of this committee when needed or when matters pertaining to the audit are discussed. The subsidiary-level Audit Committees, which review subsidiary-level internal practices, report to the Audit Council that in turn reports to this committee.

The committee holds regular meetings every quarter or as necessary.

Table of Contents

Standing Directors Committee

This committee currently consists of our standing director, Soon-Woo Lee, who is the chairman. This committee is an operational committee that oversees decisions with respect to our operational and management matters. The committee holds meetings whenever it is deemed necessary.

Ethics Committee

This committee consists of one standing director and three outside directors: Hee-Yul Chai, Soon-Woo Lee, Seong-Yeal Lim, and Min Chang. The chairman is Hee-Yul Chai. It is responsible for the following:

implementing our code of ethics and amending it when necessary;

managing our ethics policies, including developing procedures and standards of conduct to ensure compliance; and

evaluating our performance under our code of ethics.

This committee holds regular meetings every year.

Outside Directors Recommendation Committee

This committee consists of one standing director and five outside directors: Soon-Woo Lee, Young-Soo Park, Sang-Keun Oh, Kang-Shik Choi, Seong-Yeal Lim and Min Chang. The chairman is Sang-Keun Oh. It is responsible for the following:

searching for potential outside director candidates; and

reviewing and nominating outside director candidates.

This committee holds regular meetings every year or as necessary.

MOU Evaluation Committee

This committee consists of the entire board of directors: Soon-Woo Lee, Young-Soo Park, Sang-Keun Oh, Hee-Yul Chai, Kang-Shik Choi, Seong-Yeal Lim and Min Chang. The chairman is Soon-Woo Lee. It is responsible for the following:

evaluating MOU target attainment performances of us and our subsidiaries; and

overseeing and managing the MOU steering committee.

This committee holds regular meetings every quarter.

Audit Committee Member Candidate Recommendation Committee

This committee, which was first formed in January 2008, consists of six outside directors: Young-Soo Park, Sang-Keun Oh, Hee-Yul Chai, Kang-Shik Choi, Seong-Yeal Lim and Min Chang. The chairman is Sang-Keun Oh. This committee holds regular meetings every year or as necessary.

Item 6D. Employees

As of December 31, 2013, we had a total of 101 full-time employees, including five officers, at our financial holding company. The following table sets forth information regarding our employees at both our financial holding company and our subsidiaries as of the dates indicated:

	As of December 31,		
	2011	2012	2013 ⁽¹⁾
Full-time employees	22,163	22,811	16,814
Contractual employees	4,983	5,293	3,041
Total	27,146	28,104	19,855

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

Table of Contents

At the holding company level, our employees do not currently have a union and none of such employees are members of an outside labor union. At each of our subsidiaries, our employees have a labor union, and approximately 66% of the employees of our subsidiaries (excluding discontinued operations) as of December 31, 2013 were members of the Korea Financial Industry Union or other labor unions. Since we were established in April 2001, neither we nor any of our subsidiaries has had any significant labor disputes, although we have made certain concessions to our labor unions. See Item 3D. Risk Factors Other risks relating to our business Labor union unrest may disrupt our operations and hinder our ability to continue to reorganize our operations. We have placed a high priority on our relationship with our employees and on maintaining an atmosphere of trust and cooperation between our labor and management.

At the holding company level, our salary system with respect to our employees is based on a combination of the agreed-upon base salary and bonuses reflecting the work productivity of each employee. We believe that the salaries we pay to our employees and management are similar to those of other large financial institutions in Korea. We evaluate employees twice a year (usually in January and July), based on our business performance and evaluations provided by co-workers and superiors. With respect to our compensation program, we do not provide housing leases or loans to our employees.

We operate a wage peak system, under which an employee's wages reach a certain peak and then are gradually reduced as the employee reaches retirement age. We believe that this system is beneficial both for us and our employees as it encourages early retirements and reduce costs, while allowing employees to defer their retirement by two years. We are also planning to extend a performance-based pay system to all of our employees, as it currently applies only to those who are in the position of vice chief of a department or higher as well as certain departments (such as the Investment Finance Department).

We have an employee stock ownership association, which purchases our shares at the request of our employees using their own funds. We do not provide any compensation benefits to employees through such purchases, although the association is entitled to certain pre-emptive rights. See Item 10B. Memorandum and Articles of Association Pre-emptive Rights and Issuances of Additional Shares.

At our subsidiaries, employee compensation is based on a combination of the agreed-upon base salary and bonuses. The bonus system is based on individual performance and business unit performance. We believe that our compensation package for our subsidiaries is similar to those institutions in the same industries. We provide a wide range of benefits to our employees, including medical insurance, employment insurance, workers compensation, life insurance, financial aid for children's tuition, low-interest housing loans and pension plans.

In accordance with the National Pension Act, we contribute an amount equal to 4.5% of employee wages, and each employee contributes 4.5% of his or her wages, into each employee's personal pension account. In addition, in accordance with the Guarantee of Worker's Retirement Benefits Act, we have adopted a retirement pension plan for our employees. Contributions under the retirement pension plan are deposited annually into a selected financial institution, and an employee may elect to receive a monthly pension or a lump-sum amount upon retirement. Our retirement pension plan is in the form of a defined benefit plan, which guarantees a certain payout at retirement according to a fixed formula based on the employee's average salary and the number of years for which the employee has been a plan member. Under Korean law, we may not terminate the employment of full-time employees except under certain limited circumstances.

Table of Contents**Item 6E. Share Ownership
Common Stock**

As of April 21, 2014, the persons who are currently our directors or executive officers, as a group, held an aggregate of 14,300 shares of our common stock. None of these persons individually held more than 1% of our outstanding common stock as of such date. The following table presents information regarding our directors and executive officers who beneficially owned our shares as of April 21, 2014.

Name of Executive Officer or Director	Number of Shares of Common Stock
Soon-Woo Lee	14,300
Total	14,300

Stock Options

As of December 31, 2013, our directors and executive officers did not hold any stock options. As of the date of this annual report, we do not have any stock options outstanding.

Item 7. MAJOR STOCKHOLDERS AND RELATED PARTY TRANSACTIONS**Item 7A. Major Stockholders**

The following table presents information regarding the beneficial ownership of our shares at April 21, 2014 by each person or entity known to us to own beneficially more than 5% of our outstanding shares:

Except as otherwise indicated, each stockholder identified by name has:

sole voting and investment power with respect to its shares; and

record and beneficial ownership with respect to its shares.

Beneficial Owner	Number of Shares of Common Stock	Percentage of Total Shares of Common Stock	Percentage of Total Shares on a Fully Diluted Basis
KDIC	459,198,609	56.97	56.97
National Pension Service	64,691,866	8.03	8.03

As of April 21, 2014, our chairman and chief executive officer owned 14,300 shares of our common stock. None of our executive officers (excluding our chairman and chief executive officer) and our outside directors owned any shares of our common stock.

Other than as set forth above, no other person or entity known by us to be acting in concert, directly or indirectly, jointly or separately, owned 5.0% or more of the outstanding shares of our common stock or exercised control or could exercise control over us as of April 21, 2014.

Item 7B. Related Party Transactions

We regularly engage in transactions with entities affiliated with the government, which as of April 21, 2014 owned 56.97% of our shares through the KDIC. Generally, these transactions include the extension of loans, the purchase of debt securities and other ordinary course activities relating to our banking business. For a description of such transactions, see Item 4B. Business Overview Assets and Liabilities.

We and our subsidiaries have entered into memoranda of understanding with the KDIC, under which we and our subsidiaries must meet business normalization targets or specific financial targets, or the KDIC has the right to impose sanctions on our directors or employees or to require us or our subsidiaries to take certain actions. See Item 4A. History and Development of the Company History Relationship with the Korean Government. In addition, as of December 31, 2013, excluding discontinued operations, we owned 872 billion of debentures issued by the KDIC, representing 2.7% of our investment securities.

Table of Contents

As of December 31, 2013, excluding discontinued operations, we had loans outstanding to our executive officers and directors in the aggregate amount of 1,028 million.

All of these loans were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectability or present other unfavorable features.

None of our directors or officers have or had any interest in any transactions effected by us that are or were unusual in their nature or conditions or significant to our business which were effected during the current or immediately preceding year or were effected during an earlier year and remain in any respect outstanding or unperformed.

Item 7C. *Interest of Experts and Counsel*
Not Applicable

Item 8. FINANCIAL INFORMATION

Item 8A. *Consolidated Statements and Other Financial Information*
 See Item 18. Financial Statements and pages F-1 through F-128.

Legal Proceedings

As a financial institution with diverse operations, we are subject to legal proceedings and regulatory actions in the ordinary course of our business.

Woori Bank

Commencing in 2005, Woori Bank marketed and sold investment fund products known as the Woori Power Income Funds, created and managed by Woori Asset Management, to customers in Korea. The funds have experienced significant declines in value, principally as a result of investments made in securities and derivative instruments of troubled financial institutions in the U.S. and elsewhere. In November 2008, in response to complaints filed by customers who suffered losses as a result of their investment in these products, the Financial Supervisory Service ruled that Woori Bank should compensate such customers for 30% to 50% of the investment losses they suffered due to its failure to adequately disclose the risks associated with an investment in the products. However, certain customers who invested in these products through Woori Bank have opted to instead file lawsuits against Woori Bank based on its alleged failure to adequately disclose such risks, in order to obtain higher levels of compensation. As of April 1, 2014, six such lawsuits were pending and the aggregate amount claimed against Woori Bank in such lawsuits was approximately 4.6 billion. Five of such lawsuits were pending before the Supreme Court of Korea after four appellate courts held that the defendants (including Woori Bank) were jointly liable for damages equal to approximately 30% to 40% of the losses suffered by the plaintiffs, and one held that the defendants (including Woori Bank) were liable for damages equal to approximately 70% of the losses suffered by the plaintiffs. As of such date, the remaining one lawsuit was pending before the appellate court following the trial court's verdict for the defendants (including Woori Bank) appealed by the plaintiffs. Through April 1, 2014, the aggregate amount of compensation payments made to customers by Woori Bank in relation to such products, including payments made in accordance with the Financial Supervisory Service's ruling as well as lawsuits filed by customers, was 24 billion. In addition, certain of Woori Bank's customers have filed lawsuits against it in connection with certain other investment fund products created and managed by Woori Asset Management and sold by Woori Bank to customers in Korea, including those which had invested in certain equity-linked securities issued by Lehman Brothers and incurred significant losses following the Lehman Brothers bankruptcy. See Discontinued Operations Woori Asset Management. As of April 1, 2014, six such lawsuits were pending and the aggregate amount claimed against Woori Bank in such lawsuits was approximately 17.2 billion. The trial court ruled for Woori Bank in one such lawsuit, which was appealed by the plaintiffs, while five lawsuits were still pending in the trial court. Additional lawsuits may be filed against Woori Bank with respect to its sales of such products, and the final outcome of such litigation remains uncertain.

Table of Contents

In 2008, certain of Woori Bank's customers filed lawsuits against it in connection with its sales of foreign currency derivatives products known as KIKO (which stands for knock-in knock-out), which are intended to operate as hedging instruments against fluctuations in the exchange rate between the Won and the U.S. dollar. Due to the significant depreciation of the Won against the U.S. dollar in 2008 and 2009, customers who purchased KIKO products from Woori Bank were required to make large payments to it. Seven companies have filed lawsuits against Woori Bank alleging that the contracts under which the relevant KIKO products were sold by Woori Bank should be nullified and that Woori Bank should return payments received thereunder. As of April 1, 2014, three such lawsuits were pending before the Supreme Court of Korea, two of which resulted from an appeal by the plaintiffs after appellate court decisions in favor of Woori Bank, while the other resulted from Woori Bank's appeal after the appellate court ruled that Woori Bank was liable for damages equal to 34% of the losses suffered by the plaintiff. The aggregate amount of such claims, as of April 1, 2014, was approximately 97 billion, and such amount may increase as the lawsuits progress or in the event of further depreciation of the Won against the U.S. dollar. Furthermore, in September 2013, the Supreme Court of Korea ruled on a number of similar lawsuits brought by KIKO customers against other Korean banks and held that certain banks were partially liable for failing to fully explain the risks associated with KIKO products to their customers. The Supreme Court's ruling may affect the disposition of the remaining pending lawsuits against Woori Bank should the courts find that Woori Bank failed to fully explain the risks associated with KIKO products to its customers. Additional lawsuits may be filed against Woori Bank with respect to KIKO products, and the final outcome of such litigation remains uncertain.

In January 2008, the Korea Fair Trade Commission instituted certain amendments to standard loan policy conditions for mortgage loan agreements to require banks to be responsible for the payment of mortgage registration expenses when issuing mortgage loans. Subsequently, the Korea Federation of Banks and 16 banks (including Woori Bank, Kwangju Bank and Kyongnam Bank) filed a lawsuit against the Korea Fair Trade Commission to prevent the implementation of such amendments. In August 2010, the Supreme Court of Korea ruled in favor of the Korea Fair Trade Commission. Since such ruling in August 2010, certain of Woori Bank's customers have filed lawsuits against Woori Bank, alleging that it should return the mortgage registration expenses paid by such customers under mortgage loan agreements that did not reflect the amendments instituted by the Korea Fair Trade Commission in January 2008. As of April 1, 2014, 92 such lawsuits had reached final verdicts, all of which were in favor of Woori Bank, and 53 such lawsuits remained pending, of which 34 were pending in the trial court, 16 in the appellate court and three at the Supreme Court of Korea. The aggregate amount claimed in the 53 lawsuits was approximately 7 billion. Additional lawsuits may be filed against Woori Bank with respect to its mortgage loans, and the final outcome of such litigation remains uncertain.

Discontinued Operations***Kwangju Bank***

Following the above-described decision in August 2010 by the Supreme Court of Korea in favor of the Korea Fair Trade Commission in the lawsuit brought by the Korean Federation of Banks and 16 banks (including Woori Bank, Kwangju Bank and Kyongnam Bank) to prevent the implementation of certain amendments to standard loan policy conditions for mortgage loan agreements, certain of Kwangju Bank's customers have filed lawsuits alleging claims that are substantially similar to those made against Woori Bank as described above. See Woori Bank. As of April 1, 2014, six such lawsuits were pending, and the aggregate amount claimed in such lawsuits was less than Won 0.1 billion. As of the same date, three of such lawsuits were pending in the relevant trial courts, while two additional lawsuits were pending before the appellate courts following appeals by plaintiffs upon the trial courts' decisions in favor of Kwangju Bank, and one lawsuit was pending before the Supreme Court of Korea after favorable decisions in favor of Kwangju Bank by the trial court and appellate court. Additional lawsuits may be filed against Kwangju Bank with respect to its mortgage loans, and the final outcome of such litigation remains uncertain.

Table of Contents*Kyongnam Bank*

From December 2008 to April 2010, certain employees of Kyongnam Bank colluded with several other parties to engage in various fraudulent transactions ostensibly on behalf of Kyongnam Bank, including providing to certain banks and companies commitments to purchase loans, guarantees for trusts and other payment guarantees. Based on its investigation, Kyongnam Bank believes that its total potential exposure under such fraudulent transactions is approximately 361 billion. A number of the counterparties to such fraudulent transactions have demanded that Kyongnam Bank fulfill its alleged obligations under such transactions but Kyongnam Bank has refused to accede to such demands. As of April 1, 2014, nine lawsuits had been filed against Kyongnam Bank with respect to such transactions, and the aggregate amount claimed in such lawsuits was 179 billion. As of the same date, five of such lawsuits were pending before the trial court, while one of such lawsuits was pending before the appellate court following appeal by Kyongnam Bank after the trial court's decision holding that Kyongnam Bank was liable for damages of 100% of the losses suffered by the plaintiffs. In addition, as of the same date, three of such lawsuits were pending before the Supreme Court of Korea. One such lawsuit was following an appeal by the plaintiff after the appellate court ruling in favor of Kyongnam Bank to overturn the trial court's decision in favor of the plaintiff, while two lawsuits were following appeals by Kyongnam Bank and the plaintiffs after the appellate court overturned the trial court's ruling in favor of Kyongnam Bank to rule that it was liable for damages of approximately 30% to 40% of the losses. Additional lawsuits may be filed against Kyongnam Bank with respect to such transactions, and the final outcome of such litigation remains uncertain. In addition, in October 2010, as a result of such fraudulent transactions and their potential impact on Kyongnam Bank, the Financial Services Commission imposed an institutional warning on Kyongnam Bank, as well as reprimands and warnings on ten former and current executive officers of Kyongnam Bank. Furthermore, in October 2010, the Financial Services Commission suspended Kyongnam Bank from accepting new specified money trust accounts for three months and imposed reprimands and warnings on 22 executive officers and employees of Kyongnam Bank in connection with the same incident, as well as ordering the dismissal of three employees who were principally involved in the incident.

Following the above-described decision in August 2010 by the Supreme Court of Korea in favor of the Korea Fair Trade Commission in the lawsuit brought by the Korean Federation of Banks and 16 banks (including Woori Bank, Kwangju Bank and Kyongnam Bank) to prevent the implementation of certain amendments to standard loan policy conditions for mortgage loan agreements, certain of Kyongnam Bank's customers have filed lawsuits alleging claims that are substantially similar to those made against Woori Bank as described above. See Woori Bank. As of April 1, 2014, 18 such lawsuits were pending, and the aggregate amount claimed in such lawsuits was approximately 0.2 billion. As of the same date, 13 of such lawsuits were pending in the relevant trial courts, while five additional lawsuits were pending before the appellate courts following appeals by plaintiffs upon the trial courts' decisions in favor of Kyongnam Bank. Additional lawsuits may be filed against Kyongnam Bank with respect to its mortgage loans, and the final outcome of such litigation remains uncertain.

Woori Asset Management

Commencing in 2008, certain of Woori Asset Management's customers have filed lawsuits against it in connection with certain investment fund products created and managed by Woori Asset Management and sold to customers in Korea, including those who had invested in certain equity-linked securities issued by Lehman Brothers and incurred significant losses following the Lehman Brothers bankruptcy. Woori Bank, which sold some of such products, was also named as a defendant in certain of those lawsuits. See Woori Bank. As of April 1, 2014, there were six such lawsuits pending. The Supreme Court of Korea reversed and remanded the appellate court's decision against Woori Asset Management in one such lawsuit, which is now pending before the appellate court along with one other lawsuit after the trial court's decision in favor of Woori Asset Management. The remaining four lawsuits were still pending in the trial court.

In addition, in connection with the Woori Power Income Funds investment fund products created and managed by Woori Asset Management and marketed and sold by Woori Bank and other financial institutions to customers in Korea, certain such customers have filed lawsuits against Woori Asset Management and, in certain

Table of Contents

of those cases, against Woori Bank as well. See [Woori Bank](#). As of April 1, 2014, six such lawsuits were pending against Woori Asset Management, and the aggregate amount claimed against Woori Asset Management in such lawsuits was approximately 4 billion. Five of such lawsuits were pending before the Supreme Court of Korea, after four appellate courts held that the defendants (including Woori Asset Management) were jointly liable for damages equal to approximately 30% to 40% of the losses suffered by the plaintiffs, and one held that the defendants (including Woori Asset Management) were liable for damages equal to approximately 70% of the losses suffered by the plaintiffs. As of such date, the remaining one lawsuit was pending before the appellate court following the trial court's verdict for the defendants (including Woori Asset Management) appealed by the plaintiffs. Additional lawsuits may be filed against Woori Asset Management with respect to its management of such products, and the final outcome of such litigation remains uncertain.

Other than the legal proceedings discussed above, we and our subsidiaries are not a party to any legal or administrative proceedings and no proceedings are known by us to be contemplated by governmental authorities or third parties, which, if adversely determined, may have a material adverse effect on our financial condition or results of operations.

Dividends

We declare our dividend annually at the annual general meeting of stockholders. We generally hold this meeting within three months after the end of each fiscal year. We must pay the annual dividend to the stockholders of record as of the end of the preceding fiscal year within one month after that meeting. We can distribute the annual dividend either in cash or in stock. Cash dividends may be paid out of retained earnings that have not been appropriated to statutory reserves. See [Item 4B. Business Overview](#) [Supervision and Regulation](#) [Principal Regulations Applicable to Financial Holding Companies](#) [Capital Adequacy](#).

The table below sets forth the dividend per share of common stock and the total amount of dividends declared by us in respect of the years ended December 31, 2011, 2012 and 2013. The dividends set forth below with respect to each year were declared, paid and recorded in the following year.

Fiscal year	Dividends Per Common Share	Dividends Per Preferred Share	Total Amount Of Cash Dividends Paid (in millions of Won)
		(in Won)	
2011	250		201,503
2012	250		201,503
2013			

Future dividends will depend upon our revenues, cash flow, financial condition and other factors. As an owner of ADSs, you will be entitled to receive dividends payable in respect of the shares of common stock represented by such ADSs.

For a description of the tax consequences of dividends paid to our shareholders, see [Item 10E. Taxation](#) [United States Taxation](#) [Dividends](#) and [Korean Taxation](#) [Taxation of Dividends on Common Shares or ADSs](#).

Item 8B. *Significant Changes*
Not Applicable

Item 9. THE OFFER AND LISTING

Item 9A. *Offering and Listing Details*
Market Price Information

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

The principal trading market for our common stock is the KRX KOSPI Market. Our common stock, which is in registered form and has a par value of 5,000 per share of common stock, has been listed on the KRX KOSPI Market since June 24, 2002 under the identifying code 053000. As of the date of this annual report, we

Table of Contents

have 806,013,340 shares of common stock outstanding. Our ADSs have been listed on the New York Stock Exchange and are identified by the symbol WF since September 29, 2003 under the CUSIP number 981063100.

The table below sets forth, for the periods indicated, the high and low closing prices and the average daily volume of trading activity on the KRX KOSPI Market for our common stock, and their high and low closing prices and the average daily volume of trading activity on the New York Stock Exchange for our ADSs.

	KRX KOSPI Market			New York Stock Exchange ⁽¹⁾		
	Closing Price Per Common Stock		Average Daily Trading Volume (in thousands of shares)	Closing Price Per ADS		Average Daily Trading Volume (in shares)
	High	Low		High	Low	
2008	20,950	5,050	5,368	62.04	8.72	12,759
2009	16,950	5,770	7,908	43.78	10.56	12,873
2010						
First Quarter	16,800	12,950	3,680	44.10	33.05	9,320
Second Quarter	18,300	14,600	6,719	49.68	35.02	6,327
Third Quarter	15,400	13,150	3,938	38.79	33.19	4,872
Fourth Quarter	15,700	13,300	4,716	42.50	34.34	18,390
2011						
First Quarter	15,900	13,450	4,498	42.9	36.3	17,911
Second Quarter	15,400	12,400	3,800	42.4	34.4	19,227
Third Quarter	14,500	8,500	3,450	41.1	22.2	10,252
Fourth Quarter	11,200	9,100	2,927	30.5	23.0	12,492
2012						
First Quarter	13,000	9,330	2,729	35.74	23.92	16,282
Second Quarter	13,600	9,900	2,328	36.18	25.47	18,852
Third Quarter	12,350	10,300	2,103	32.93	27.23	14,427
Fourth Quarter	11,850	9,740	1,647	33.35	27.05	10,016
2013						
First Quarter	13,150	11,350	1,684	36.31	31.64	13,150
Second Quarter	12,800	9,800	2,045	34.24	25.09	12,800
Third Quarter	12,650	10,500	1,554	35.51	27.51	12,650
Fourth Quarter	13,500	11,750	1,423	38.33	33.17	13,500
2014 (through April 21)						
January	13,300	11,800	1,454	37.61	32.67	13,300
February	12,400	11,600	1,584	34.83	32.23	12,400
March	12,350	11,600	1,281	34.90	32.49	7,981
April (through April 21)	12,600	12,050	918	36.19	34.24	3,000

Source: KRX KOSPI Market; New York Stock Exchange.

⁽¹⁾ Each ADS represents the right to receive three shares of our common stock. Trading of our ADSs on the New York Stock Exchange commenced on September 29, 2003.

Item 9B. Plan of Distribution
Not Applicable

Item 9C. Markets

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

The KRX KOSPI Market, formerly known as the Stock Market Division of the Korea Exchange, began its operations in 1956. Currently it is the only stock exchange in Korea. It has a single trading floor located in Seoul. The KRX KOSPI Market is a membership organization consisting of most of the Korean securities companies and some Korean branches of foreign securities companies.

Table of Contents

As of December 31, 2013, the aggregate market value of equity securities listed on the KRX KOSPI Market was approximately 1,186 trillion. The average daily trading volume of equity securities for 2013 was approximately 328 million shares and the average daily transaction value was 3,993 billion.

The KRX KOSPI Market has the power in some circumstances to suspend trading in the shares of a given company or to de-list a security pursuant to the Listing Regulation of the KRX KOSPI Market. The KRX KOSPI Market also restricts share price movements. All listed companies are required to file accounting reports annually, semiannually and quarterly and to release immediately all information that may affect trading in a security.

The KRX KOSPI Market publishes the KOSPI, which is an index of all equity securities listed on the KRX KOSPI Market, every ten seconds. On January 1, 1983, the method of computing KOSPI was changed from the Dow Jones method to the aggregate value method. In the new method, the market capitalizations of all listed companies are aggregated, subject to certain adjustments, and this aggregate is expressed as a percentage of the aggregate market capitalization of all listed companies as of the base date, January 4, 1980.

The following table sets out movements in KOSPI:

	Opening	High	Low	Closing
1982	123.60	134.48	105.99	128.99
1983	122.52	134.46	115.59	121.21
1984	115.25	142.46	115.25	142.46
1985	139.53	163.37	131.40	163.37
1986	161.40	279.67	153.85	272.61
1987	264.82	525.11	264.82	525.11
1988	532.04	922.56	527.89	907.20
1989	919.61	1,007.77	844.75	909.72
1990	908.59	928.82	566.27	696.11
1991	679.75	763.10	586.51	610.92
1992	624.23	691.48	459.07	678.44
1993	697.41	874.10	605.93	866.18
1994	879.32	1,138.75	855.37	1,027.37
1995	1,013.57	1,016.77	847.09	882.94
1996	888.85	986.84	651.22	651.22
1997	653.79	792.29	350.68	376.31
1998	385.49	579.86	280.00	562.46
1999	587.57	1,028.07	498.42	1,028.07
2000	1,059.04	1,059.04	500.60	504.62
2001	520.95	704.50	468.76	693.70
2002	724.95	937.61	584.04	627.55
2003	635.17	822.16	515.24	810.71
2004	821.26	936.06	719.59	895.92
2005	893.71	1,379.37	870.84	1,379.37
2006	1,389.27	1,464.70	1,203.86	1,434.46
2007	1,435.26	2,064.85	1,355.79	1,897.13
2008	1,853.45	1,888.88	938.75	1,124.47
2009	1,157.40	1,718.88	1,018.81	1,682.77
2010	1,696.14	2,051.00	1,552.79	2,051.00
2011	2,070.08	2,228.96	1,652.71	1,825.74
2012	1,826.37	2,049.28	1,769.31	1,997.05
2013	2,031.10	2,059.58	1,780.63	2,011.34
2014 (through April 21)	1,967.19	2,008.61	1886.85	1,999.22

Source: The KRX KOSPI Market

Table of Contents

Shares are quoted ex-dividend on the first trading day of the relevant company's accounting period. Since the calendar year is the accounting period for the majority of listed companies, this may account for the drop in KOSPI between its closing level at the end of one calendar year and its opening level at the beginning of the following calendar year.

With certain exceptions, principally to take account of a share being quoted ex-dividend and ex-rights, permitted upward and downward movements in share prices of any category of shares on any day are limited under the rules of the KRX KOSPI Market to 15% of the previous day's closing price of the shares, rounded down as set out below:

Previous Day's Closing Price (Won)	Rounded Down To Won
Less than 5,000	5
5,000 to less than 10,000	10
10,000 to less than 50,000	50
50,000 to less than 100,000	100
100,000 to less than 500,000	500
500,000 or more	1,000

As a consequence, if a particular closing price is the same as the price set by the fluctuation limit, the closing price may not reflect the price at which persons would have been prepared, or would be prepared to continue, if so permitted, to buy and sell shares. Orders are executed on an auction system with priority rules to deal with competing bids and offers.

Due to deregulation of restrictions on brokerage commission rates, the brokerage commission rate on equity securities transactions may be determined by the parties, subject to commission schedules being filed with the KRX KOSPI Market by financial investment companies with a dealing and/or brokerage license. In addition, a securities transaction tax of 0.15% of the sales price will generally be imposed on the transfer of shares or certain securities representing rights to subscribe for shares. See Item 3D. Risk Factors Risks relating to our common stock and ADSs. An agriculture and fishery special surtax of 0.15% of the sales prices will also be imposed on transfer of these shares and securities on the KRX KOSPI Market. See Item 10E. Taxation Korean Taxation.

Table of Contents

The number of companies listed on the KRX KOSPI Market, the corresponding total market capitalization at the end of the periods indicated and the average daily trading volume for those periods are set forth in the following table:

Year	Number of Listed Companies	Market Capitalization on the Last Day of Each Period		Average Daily Trading Volume, Value		
		(billions of)	(millions of US\$) ⁽¹⁾	(thousands of Shares)	(millions of)	(thousands of US\$) ⁽¹⁾
1982	334	3,001	US\$ 4,279	9,704	6,667	US\$ 9,507
1983	328	3,490	4,666	9,325	5,941	7,944
1984	336	5,149	6,434	14,847	10,642	13,301
1985	342	6,570	7,921	18,925	12,315	14,846
1986	355	11,994	13,439	31,755	32,870	36,830
1987	389	26,172	30,250	20,353	70,185	81,120
1988	502	64,544	81,177	10,367	198,364	249,483
1989	626	95,477	138,997	11,757	280,967	409,037
1990	669	79,020	115,610	10,866	183,692	268,753
1991	686	73,118	101,623	14,022	214,263	297,795
1992	688	84,712	110,691	24,028	308,246	402,779
1993	693	112,665	142,668	35,130	574,048	726,919
1994	699	151,217	185,657	36,862	776,257	953,047
1995	721	141,151	178,266	26,130	487,762	616,016
1996	760	117,370	151,289	26,571	486,834	627,525
1997	776	70,989	82,786	41,525	555,759	648,115
1998	748	137,799	81,297	97,716	660,429	389,634
1999	725	349,504	294,319	278,551	3,481,620	2,931,891
2000	704	188,042	166,703	306,163	2,602,211	2,306,925
2001	689	255,850	200,039	473,241	1,997,420	1,561,705
2002	683	258,681	217,379	857,245	3,041,598	2,308,789
2003	684	355,363	298,123	542,010	2,216,636	1,859,594
2004	683	412,588	398,597	372,895	2,232,108	2,156,418
2005	702	655,075	648,589	467,629	3,157,662	3,126,398
2006	731	704,588	757,621	279,096	3,435,180	3,693,742
2007	745	951,900	1,017,205	363,741	5,539,653	5,919,698
2008	763	576,888	457,122	355,205	5,189,644	4,112,238
2009	770	887,935	763,027	485,657	5,795,426	4,980,172
2010	777	1,141,885	981,254	380,859	5,619,768	4,829,224
2011	791	1,041,999	899,438	353,759	6,863,146	5,924,166
2012	784	1,154,294	1,085,679	486,480	4,823,643	4,536,740
2013	777	1,185,974	1,123,826	328,325	3,993,422	3,784,158
2014 (through April 25)	770	1,174,879	1,128,606	233,289	3,721,007	3,574,454

Source: The KRX KOSPI Market

⁽¹⁾ Converted at the noon buying rate of the Federal Reserve Bank of New York on the last business day of the period indicated.

The Korean securities markets are principally regulated by the Financial Services Commission and the Financial Investment Services and Capital Markets Act, which replaced the Korean Securities and Exchange Act in February 2009. The Financial Investment Services and Capital Markets Act imposes restrictions on insider trading, price manipulation and deceptive action (including unfair trading), requires specified information to be made available by listed companies to investors and establishes rules regarding margin trading, proxy solicitation, takeover bids, acquisition of treasury shares and reporting requirements for stockholders holding substantial interests.

Table of Contents**Protection of Customer's Interest in Case of Insolvency of Financial Investment Companies with a Brokerage License**

Under Korean law, the relationship between a customer and a financial investment company with a brokerage license in connection with a securities sell or buy order is deemed to be consignment and the securities acquired by a consignment agent (i.e., the financial investment company with a brokerage license) through such sell or buy order are regarded as belonging to the customer in so far as the customer and the consignment agent's creditors are concerned. Therefore, in the event of a bankruptcy or reorganization procedure involving a financial investment company with a brokerage license, the customer of such financial investment company is entitled to the proceeds of the securities sold by such financial investment company.

When a customer places a sell order with a financial investment company with a brokerage license which is not a member of the KRX KOSPI Market, and such financial investment company places a sell order with another financial investment company with a brokerage license, which is a member of the KRX KOSPI Market, the customer is still entitled to the proceeds of the securities sold and received by the non-member company from the member company regardless of the bankruptcy or reorganization of the non-member company.

Under the Financial Investment Services and Capital Markets Act, the KRX KOSPI Market is obliged to indemnify any loss or damage incurred by a counterparty as a result of a breach by its members. If a financial investment company with a brokerage license that is a member of the KRX KOSPI Market breaches its obligation in connection with a buy order, the KRX KOSPI Market is obliged to pay the purchase price on behalf of the breaching member. Therefore, the customer can acquire the securities that have been ordered to be purchased by the breaching member.

When a customer places a buy order with a non-member company and the non-member company places a buy order with a member company, the customer has the legal right to the securities received by the non-member company from the member company because the purchased securities are regarded as belonging to the customer in so far as the customer and the non-member company's creditors are concerned.

As the cash deposited with a financial investment company with a brokerage license is regarded as belonging to such financial investment company, which is liable to return the same at the request of its customer, the customer cannot take back deposited cash from such financial investment company if a bankruptcy or reorganization procedure is instituted against such financial investment company and, therefore, can suffer from loss or damage as a result. However, the Depositor Protection Act provides that the KDIC will, upon the request of the investors, pay investors an amount equal to the full amount of cash deposited with a securities company prior to August 1, 1998 in case of the securities company's bankruptcy, liquidation, cancellation of securities business license or other insolvency events. However, this indemnification was available only until the end of 2000. From 2001, the maximum amount to be paid to each customer is limited to 50 million. Pursuant to the Financial Investment Services and Capital Markets Act, as amended, financial investment companies with a dealing and/or brokerage license are required to deposit the cash received from its customers to the extent the amount is not covered by the insurance with the Korea Securities Finance Corporation, a special entity established pursuant to the Financial Investment Services and Capital Markets Act. Set-off or attachment of cash deposits by such financial investment companies is prohibited. The premiums related to this insurance are paid by such financial investment companies.

Reporting Requirements for Holders of Substantial Interests

Any person who directly or beneficially owns shares of our common stock that have voting rights, whether in the form of shares, ADSs, certificates representing the rights to subscribe for shares or equity-related debt securities (including convertible bonds and bonds with warrants) (which we refer to collectively as "Equity Securities") that, when taken together with the Equity Securities beneficially owned by specified related persons or by any person acting in concert with that person, account for 5% or more of our total issued and outstanding shares (plus the Equity Securities other than the shares held by such persons) must report that holding to the Financial Services Commission and the KRX KOSPI Market no more than five business days after reaching 5%. That person must also report any subsequent change in the ownership interest of 1% or more of our total outstanding shares (plus the Equity Securities other than the shares held by such persons) to the same entities no more than five business days after the change.

Table of Contents

Anyone violating these reporting requirements may suffer criminal sanctions, including fines, imprisonment, an administrative fine of up to 0.001% of the aggregate market value of total issued and outstanding stock of 500 million, whichever is lower, and/or a loss of voting rights with respect to the ownership of Equity Securities exceeding 5% of the total issued and outstanding Equity Securities with respect to which the reporting requirements were violated. Furthermore, the Financial Services Commission may order that person to dispose of the unreported Equity Securities.

In addition to the reporting requirements described above, any person whose direct or beneficial ownership of our stock accounts for 10% or more of the total issued and outstanding stock (which we refer to as a major stockholder) must report the status of its shareholding to the Korea Securities Futures Commission and the KRX KOSPI Market within five days after it becomes a major stockholder. In addition, the major stockholder must report any subsequent change in its ownership interest to those same entities within the 5th day of the occurrence of the change. A major stockholder that violates these reporting requirements may suffer criminal sanctions, including fines or imprisonment.

Pursuant to the Financial Holding Company Act, any single stockholder (together with any person considered to be a related party to that stockholder) that acquires more than 10% of the voting stock of a Korean financial holding company will be subject to approval requirements. See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Financial Holding Companies Restriction on Ownership of a Financial Holding Company.

Restrictions Applicable to ADSs

An investor does not need Korean governmental approval to sell or purchase our ADSs in the secondary market outside Korea or to withdraw shares of our common stock from our ADS deposit facility or deliver those withdrawn shares in Korea. However, a foreign investor who intends to acquire shares must obtain an investment registration card from the Financial Supervisory Service as described below. Either the foreign investor or its standing proxy in Korea must immediately report its acquisition of the shares to the governor of the Financial Supervisory Service.

Persons who acquire shares of our common stock by withdrawing those shares from our ADS deposit facility may exercise their preemptive rights for new shares, participate in free distributions and receive dividends on shares without any further Korean governmental approval.

Restrictions Applicable to Shares

As a result of amendments to the Foreign Exchange Transaction Laws and Financial Services Commission regulations (which we refer to collectively as the Investment Rules) adopted since January 1992 in connection with the opening and operation of Korea's stock market, foreign investors may generally invest, with limited exceptions and subject to procedural requirements, in all shares of Korean companies, whether listed on the KRX KOSPI Market or registered on the KRX KOSDAQ Market. Foreign investors may trade shares listed on the KRX KOSPI Market or registered on the KRX KOSDAQ Market only through the KRX KOSPI Market or the KRX KOSDAQ Market, except in limited circumstances. These circumstances include:

odd-lot share trading;

acquiring shares (which we refer to as Converted Shares) by exercising warrants, conversion rights or exchange rights under bonds with warrants, convertible bonds or exchangeable bonds or withdrawal rights under depositary receipts issued outside of Korea by a Korean company;

acquiring shares through inheritance, donation, bequest or exercise of stockholders' rights, including pre-emptive rights or rights to participate in free distributions and receive dividends;

subject to certain exceptions, over-the-counter transactions between foreign investors of a class of shares for which the limit on aggregate acquisition by foreign investors, as explained below, has been reached or exceeded; and

Table of Contents

sale and purchase of shares at fair value between foreigners who are part of an investor group comprised of foreign companies investing under the control of a common investment manager pursuant to applicable laws or contract.

For over-the-counter transactions between foreign investors outside the KRX KOSPI Market or the KRX KOSDAQ Market involving a class of shares for which the limit on aggregate acquisition by foreign investors has been reached or exceeded, a financial investment company with a brokerage license in Korea must act as an intermediary. Odd-lot trading of shares outside the KRX KOSPI Market or the KRX KOSDAQ Market must involve a financial investment company with a dealing license in Korea as the other party. Foreign investors may not engage in margin transactions by borrowing shares from financial investment companies with a dealing and/or brokerage license with respect to shares that are subject to a foreign ownership limit.

The Investment Rules require a foreign investor who wishes to invest in shares on the KRX KOSPI Market or the KRX KOSDAQ Market (including Converted Shares and shares being issued for initial listing on the KRX KOSPI Market or registration on the KRX KOSDAQ Market) to register with the Financial Supervisory Service before making an investment. This registration requirement does not apply to foreign investors who acquire Converted Shares with the intention of selling the Converted Shares within three months from the acquisition date. The Financial Supervisory Service will issue an investment registration card to each registering foreign investor. This card must be presented each time the foreign investor opens a brokerage account with a financial investment company with a brokerage license. Foreign investors eligible to obtain an investment registration card include:

foreign nationals who have not been residing in Korea for a consecutive period of six months or more;

foreign governments;

foreign municipal authorities;

foreign public institutions;

international financial institutions or similar international organizations;

corporations incorporated under foreign laws; and

any person in any additional category designated by decree of the Ministry of Strategy and Finance under the Financial Investment Services and Capital Markets Act.

All Korean offices of a foreign corporation (as a group) are treated as a separate foreign investor from the offices of the corporation outside Korea for these purposes. However, a foreign corporation or depository issuing depository receipts may obtain one or more investment registration cards in its name in certain circumstances identified in the relevant regulations.

When a foreign investor purchases shares through the KRX KOSPI Market or the KRX KOSDAQ Market, it need not make a separate report because the investment registration card system is designed to control and oversee foreign investment through a computer system. If, however, a foreign investor acquires or sells shares outside the KRX KOSPI Market or the KRX KOSDAQ Market, that investor or its standing proxy must report that transaction to the governor of the Financial Supervisory Service at that time. In addition, if a foreign investor acquires or sells its shares in connection with a tender offer, odd-lot trading of shares or trades of a class of shares for which the aggregate foreign ownership limit has been reached or exceeded, that investor or its standing proxy must ensure that the financial investment company engaged to facilitate the transaction reports the transaction to the governor of the Financial Supervisory Service. Also, sale and purchase of shares at fair value between foreigners who are part of an investor group comprised of foreign companies investing under the common control of a common investment manager pursuant to applicable laws or contract are required to be reported to the governor of the Financial Supervisory Service. A foreign investor may appoint a standing proxy to exercise stockholders' rights or perform any matters related to the foregoing activities if that investor does not perform these activities itself. A foreign investor may be exempted from complying with the standing proxy rules with the approval of the governor of the Financial Supervisory Service in cases deemed unavoidable by reason of conflict between laws of Korea and the home

country of the foreign investor.

Table of Contents

Certificates evidencing shares of Korean companies must be kept in the custody of an eligible custodian in Korea. The same entities eligible to act as a standing proxy are eligible to act as a custodian of shares for a non-resident or foreign investor. A foreign investor must ensure that its custodian deposits its shares with the Korea Securities Depository. A foreign investor may be exempted from complying with this deposit requirement with the approval of the governor of the Financial Supervisory Service in circumstances where compliance with that requirement is made impracticable, including cases where compliance would contravene the laws of the foreign investors' home country.

Under the Investment Rules, with certain limitations, foreign investors may acquire shares of a Korean company without being subject to any foreign investment limit. Under one of these limitations, foreign investors may acquire no more than 40% of the outstanding share capital of designated public corporations. Designated public corporations may set a limit on the acquisition of shares by a single person in their articles of incorporation. Currently, the Korea Electric Power Corporation is the only designated public corporation that has set this limit. If a foreign investor acquires 10% or more of the outstanding shares with voting rights of a Korean company, that investment constitutes a foreign direct investment under the Foreign Investment Promotion Act of Korea. Generally, a foreign direct investment must be reported to a foreign exchange bank or the Korea Trade Investment Promotion Agency. The acquisition of a Korean company's shares by a foreign investor may be subject to certain foreign or other shareholding restrictions in the event that the restrictions are prescribed in a specific law that regulates the business of the Korean company. For a description of the restrictions applicable to Korean financial holding companies, see Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Financial Holding Companies.

Under the Foreign Exchange Transaction Laws, a foreign investor who intends to acquire shares must designate a foreign exchange bank at which he must open a foreign currency account and a Won account exclusively for stock investments. Approval is not required for remittance into Korea and deposit of foreign currency funds in the foreign currency account. Foreign currency funds may be transferred from the foreign currency account at the time required to place a deposit for, or settle the purchase price of, a stock purchase transaction to a Won account opened at a financial investment company with a dealing and/or brokerage license. Funds in the foreign currency account may be remitted abroad without any Korean governmental approval.

Dividends on shares of Korean companies are paid in Won. Korean governmental approval is not required for foreign investors to receive dividends on, or the Won proceeds from the sale of, any shares to be paid, received and retained in Korea. Dividends paid on, and the Won proceeds of the sale of, any shares held by a non-resident of Korea must be deposited either in a Won account with the investor's financial investment company with a dealing and/or brokerage license or in its own Won account. Funds in a foreign investor's Won account may be transferred to its foreign currency account or withdrawn for local living expenses up to certain limits. These funds may also be used to make future investments in shares or to pay the subscription price of new shares obtained through the exercise of pre-emptive rights.

Financial investment companies with a dealing or brokerage license may open foreign currency accounts with foreign exchange banks exclusively to accommodate foreign investors' stock investments in Korea. Through these accounts, financial investment companies with a dealing or brokerage license may enter into limited foreign exchange transactions, such as converting foreign currency funds and Won funds, either as a counterparty to or on behalf of foreign investors, without the investors having to open their own accounts with foreign exchange banks.

Item 9D. *Selling Shareholders*
Not Applicable

Item 9E. *Dilution*
Not Applicable

Table of Contents

Item 9F. *Expenses of the Issuer*
Not Applicable

Item 10. **ADDITIONAL INFORMATION**

Item 10A. *Share Capital*
Not Applicable

Item 10B. *Memorandum and Articles of Association*
Description of Capital Stock

We have set forth below information relating to our capital stock, including brief summaries of some of the provisions of our articles of incorporation, the Korean Commercial Code, Financial Investment Services and Capital Markets Act, and other related laws of Korea. These summaries do not purport to be complete and are subject to our articles of incorporation, and the applicable provisions of the Financial Investment Services and Capital Markets Act, the Korean Commercial Code and those related laws.

Our authorized share capital is 2,400,000,000 shares. Our articles of incorporation authorize us to issue:

shares of common stock, par value 5,000 per share;

class shares, par value 5,000 per share.

Subject to applicable laws and regulations, our articles of incorporation authorize us to issue a number of class shares equal to as much as one-half of all of the issued and outstanding shares.

As of the date of this annual report, 806,015,340 shares of common stock were issued and 806,013,340 shares of common stock were outstanding. Pursuant to our articles of incorporation, which was last amended on June 14, 2013, we are authorized to issue various types of class shares, which include shares of voting and non-voting preferred stock, convertible stock, redeemable preferred stock and hybrid securities comprising one or more elements of the foregoing types of shares. There are no class shares currently outstanding. All of the issued and outstanding shares are fully paid and non-assessable and are in registered form. As of the date of this annual report, our authorized but unissued share capital was 1,593,984,660 shares. We may issue the unissued shares without further stockholder approval, but these issuances are subject to a board resolution as provided in the articles of incorporation. See Pre-emptive Rights and Issuances of Additional Shares and Dividends and Other Distributions Distribution of Free Shares. For a discussion of the history of our share capital, see Note 27 of the notes to our consolidated financial statements and Item 4A. History and Development of the Company History Establishment of Woori Finance Holdings.

Our articles of incorporation allow our stockholders, by special resolution, to grant to our officers, directors and employees stock options exercisable for up to 15% of the total number of our issued and outstanding shares. Our board of directors may also grant stock options exercisable for up to 1% of our issued and outstanding shares. However, any grant by our board of directors must be approved by our stockholders at their next general meeting convened immediately after the grant date. As of December 31, 2013, our officers, directors and employees did not hold any options to purchase shares of common stock. See Item 6E. Share Ownership.

We issue share certificates in denominations of one, five, ten, 50, 100, 500, 1,000 and 10,000 shares.

Organization and Register

We are a financial holding company established under the Financial Holding Company Act. We were incorporated under the laws of Korea on March 27, 2001 and commenced operations on April 2, 2001. We are registered with the commercial registry office of Seoul District Court. We

maintain the register of our stockholders at our principal office in Seoul, Korea. We register transfers of shares on the register of stockholders upon presentation of the share certificates.

Table of Contents

Interests of Directors

Our articles of incorporation provide that any director who has a material interest in the subject matter of a resolution to be taken by the board of directors cannot vote on such resolution. Our articles of incorporation also provide that the remuneration of our directors is to be determined by the resolution of the general meeting of shareholders.

Our articles of incorporation do not contain any special provisions with respect to the borrowing powers exercisable by directors, their retirement age or a requirement to hold any shares of our capital stock.

See Item 6C. Board Practices for more information on our directors.

Limitation on Liability of Directors

Our articles of incorporation provide that we may, upon the resolution of the general meeting of shareholders, limit the liability of our directors (in their capacity as such) to an amount not less than six times (or three times in case of outside directors) the aggregate amount of the remuneration we paid to such directors during the most recent one-year period, provided that such limitation shall not apply with regard to any liability arising from such directors' gross negligence, willful misconduct or violation of their duties regarding self-dealing or corporate opportunity.

Dividends and Other Distributions

Dividends. We distribute dividends to stockholders in proportion to the number of shares of the relevant class of capital stock they own. Subject to the requirements of the Korean Commercial Code and other applicable laws and regulations, we expect to pay full annual dividends on newly issued stock for the year in which it is issued.

We declare our dividend annually at the annual general meeting of stockholders. We generally hold this meeting within three months after the end of each fiscal year. We must pay the annual dividend to the stockholders of record as of the end of the preceding fiscal year within one month after that meeting. We can distribute the annual dividend in (i) cash, (ii) shares, provided that such shares must be distributed at par value and, if the market price of the shares is less than their par value, dividends in shares may not exceed one-half of the total annual dividend (including dividends in shares) or (iii) other forms of consideration. In addition, we may declare, and distribute in cash, interim dividends once a year pursuant to a board resolution.

Under the Korean Commercial Code and our articles of incorporation, we do not have an obligation to pay any annual or interim dividend unclaimed for five years from the payment date.

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

For information regarding taxation of dividends, see Item 10E. Taxation United States Taxation Dividends and Korean Taxation Taxation of Dividends on Common Shares or ADSs.

Distribution of Free Shares. The Korean Commercial Code permits us to pay dividends in the form of shares out of retained or current earnings. It also permits us to distribute to our stockholders, in the form of free shares, an amount transferred from the capital surplus or legal reserve. We would be required to distribute those free shares pro rata to all stockholders.

Pre-emptive Rights and Issuances of Additional Shares

We may issue authorized but unissued shares as our board of directors may determine, unless otherwise provided in the Korean Commercial Code. We must, however, offer any new shares on uniform terms to all

Table of Contents

stockholders who have preemptive rights and are listed on our stockholders' register as of the applicable record date. Those stockholders are entitled to subscribe for any newly issued shares in proportion to their existing shareholdings. Our articles of incorporation provide, however, that we may issue new shares to persons other than existing stockholders if those shares are:

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

issued to directors or employees as a result of the exercise of stock options we granted to them pursuant to Article 542-3 of the Korean Commercial Code;

issued to the members of our employee stock ownership association pursuant to Article 165-7 of the Financial Investment Services and Capital Markets Act;

issued to specified foreign investors or foreign or domestic financial institutions for managerial needs, strategic technology alliances, emergency financing or debt-to-equity swaps by those financial institutions (where the number of shares so offered may not exceed 50% of our total number of issued shares); or

issued to a depository for the purpose of issuing depository receipts pursuant to Financial Investment Services and Capital Markets Act (where the number of shares so offered may not exceed 50% of our total number of issued shares).

We must give public notice of pre-emptive rights for new shares and their transferability not less than two weeks before the record date (excluding the period during which the stockholders' register is closed). We will notify the stockholders who are entitled to subscribe for newly issued shares of the deadline for subscription at least two weeks prior to the deadline. If a stockholder fails to subscribe on or before the deadline, its pre-emptive rights will lapse. Our board of directors may determine how to distribute shares in respect of which preemptive rights have not been exercised or where fractions of shares occur.

Under the Financial Investment Services and Capital Markets Act, each member of our employee stock ownership association, whether or not they are stockholders, has a preemptive right, subject to certain exceptions, to subscribe for up to 20% of any shares we publicly offer. This right is exercisable only so long as the total number of shares so acquired and held by the member does not exceed 20% of the total number of shares then outstanding. As of December 31, 2013, none of our employees owned any shares of our common stock through the employee stock ownership association.

In addition, our articles of incorporation permit us to issue convertible bonds or bonds with warrants, each up to an aggregate principal amount of 2 trillion, to persons other than existing stockholders. Under the Korean Commercial Code, we are permitted to distribute convertible bonds or bonds with warrants to persons other than existing stockholders only when we deem that this distribution is necessary for managerial purposes, such as obtaining new technology or improving our financial condition. In the event we issue new shares, the foregoing provision would be applicable notwithstanding any provision in the articles of incorporation allowing issuance of new shares to persons other than existing stockholders. As of December 31, 2013, we had no convertible bonds or bonds with warrants outstanding.

Voting Rights

Each outstanding share of our common stock is entitled to one vote. However, voting rights may not be exercised for shares that we hold or shares that a corporate stockholder holds, if we directly or indirectly own more than one-tenth of the outstanding capital stock of that stockholder. Our articles of incorporation do not prohibit cumulative voting. Accordingly, the Korean Commercial Code permits holders of an aggregate of 1% or more of our outstanding shares with voting rights to request cumulative voting when electing two or more directors.

The Korean Commercial Code and our articles of incorporation provide that an ordinary resolution may be adopted if the holders of at least a majority of those shares of common stock present or represented at a meeting

Table of Contents

approve the resolution and the majority also represents at least one-fourth of the total of our issued and outstanding shares of common stock. Holders of non-voting shares (other than enfranchised non-voting shares) are not entitled to vote on any resolution or to receive notice of any general meeting of stockholders, unless the meeting agenda includes considering a resolution on which they are entitled to vote. If our annual general meeting resolves not to pay to holders of any class shares the annual dividend determined by the board of directors when we issued those shares, those holders will be entitled to exercise voting rights from the general meeting following the meeting adopting that resolution until the end of a meeting where a resolution is passed declaring payment of a dividend on such class shares. Holders of the enfranchised class shares will have the same rights as holders of common stock to request, receive notice of, attend and vote at a general meeting of stockholders.

The Korean Commercial Code provides that the holders of at least two-thirds of those shares present or represented at a meeting must approve the adoption of a special resolution, and the special majority must represent at least one-third of the total issued and outstanding shares with voting rights of the company. Special resolutions are required to:

amend the articles of incorporation;

change the authorized share capital of the company;

remove a director;

dissolve, merge or consolidate us;

transfer of the whole or a significant part of our business;

acquire all of the business of another company;

acquire a part of the business of another company that has a material effect on our business of the company; and

issue new shares at a price lower than their par value.

In addition, the holders of each outstanding class of our class shares must adopt a separate resolution in connection with an amendment to our articles of incorporation, any merger or consolidation or in certain other cases where their rights or interests are adversely affected. With respect to each class, holders of at least two-thirds of the class shares present or represented at a meeting must approve the adoption of that resolution, and those holders must hold class shares representing at least one-third of our total issued and outstanding class shares of the same class.

A stockholder may exercise its voting rights by proxy given to another person. The proxy must present the power of attorney before the start of the meeting.

Liquidation Rights

If we are liquidated, the assets remaining after the payment of all our debts, liquidation expenses and taxes will be distributed to stockholders in proportion to the number of shares they hold. Holders of class shares have no preferences in liquidation.

General Meetings of Stockholders

There are two types of general meetings of stockholders: annual general meetings and extraordinary general meetings. We are required to convene our annual general meeting within three months after the end of each fiscal year. Subject to a board resolution or court approval, an

extraordinary general meeting of stockholders may be held:

when we deem one necessary;

at the request of the holders of an aggregate of 3% or more of our outstanding shares;

Table of Contents

at the request of the holders of an aggregate of 1.5% or more of our outstanding shares with voting rights who have held those shares for at least six months; or

at the request of our audit committee.

Holders of non-voting shares are entitled to request a general meeting only if their non-voting shares have become enfranchised. Meeting agendas will be determined by our board of directors or proposed by holders of an aggregate of 3% or more of our outstanding shares with voting rights or by holders of an aggregate of 0.25% or more of those shares who have held those shares for at least six months by way of a written proposal to our board of directors at least six weeks before the meeting. We must give stockholders written notices or e-mail notices stating the date, place and agenda of the meeting at least two weeks before the date of the meeting. However, we may give notice to holders of 1% or less of the total number of issued and outstanding shares that are entitled to vote by placing at least two public notices at least two weeks in advance of the meeting in at least two daily newspapers. Stockholders who are not on the stockholders' register as of the record date will not be entitled to receive notice of the general meeting of stockholders or to attend or vote at the meeting. Unless their non-voting shares have been enfranchised, holders of non-voting shares are not entitled to receive notice of or vote at general meetings of stockholders. Holders of enfranchised non-voting shares who are on the stockholders' register as of the record date will be entitled to receive notice of the general meeting of stockholders and to attend and vote at the meeting.

We will generally hold our general meeting of stockholders at our head office, which is our registered head office. If necessary, we may hold the meeting anywhere in the vicinity of our head office.

Rights of Dissenting Stockholders

Pursuant to the Financial Investment Services and Capital Markets Act and the Law on the Improvement of the Structure of the Financial Industry, in certain limited circumstances dissenting holders of shares of our common stock and our class shares will have the right to require us to purchase their shares. These circumstances include:

if we transfer all or any significant part of our business;

if we acquire a part of the business of any other company and the acquisition has a material effect on our business; or

if we merge or consolidate with another company.

To exercise this right, stockholders must submit to us a written notice of their intention to dissent prior to the general meeting of stockholders called to approve the transaction in question. Within 20 days (or ten days, in the case of a merger or consolidation under the Law on Improvement of the Structure of the Financial Industry) after the date on which stockholders pass the relevant resolution at the general meeting, the dissenting stockholders must request in writing that we purchase their shares. We must purchase those shares within one month after the end of the request period (within two months after the receipt of the request in the case of a merger or consolidation under the Law on Improvement of the Structure of Financial Industry) at a negotiated price. If we cannot agree with the stockholder on a purchase price through negotiations, the price will be the arithmetic mean of the weighted average of the daily stock prices on the KRX KOSPI Market for:

the two-month period prior to the date the relevant board of directors' resolution was adopted;

the one-month period prior to the date the relevant board of directors' resolution was adopted; and

the one-week period prior to the date the relevant board of directors' resolution was adopted.

Pursuant to the Financial Investment Services and Capital Markets Act, if we or the dissenting stockholders do not accept the purchase price, either party may bring a claim in court.

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

In the case of a merger or consolidation pursuant to the Law on the Improvement of the Structure of Financial Industry where the Korean government or the KDIC provides financial support, procedures different

Table of Contents

from those in the case of a merger or consolidation pursuant to the Financial Investment Services and Capital Markets Act will apply. For example, if the relevant parties cannot agree on a purchase price, the price will be determined by an accounting expert and not by the Financial Services Commission. However, a court may adjust this price if we or holders of at least 30% of the shares we must purchase do not accept the purchase price determined by the accounting expert and request an adjustment no later than 30 days from the date of the determination of the purchase price.

Required Disclosure of Ownership

Under Korean and U.S. law, stockholders who beneficially hold more than a certain percentage of our common stock, or who are related to or are acting in concert with other holders of certain percentages of our common stock or our other equity securities, must report their holdings to various governmental authorities. For a description of the required disclosure of ownership, see Item 9C. Markets Reporting Requirements for Holders of Substantial Interests and Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Financial Holding Companies Restriction on Ownership of a Financial Holding Company.

Other Provisions

Record Date. The record date for annual dividends is December 31. For the purpose of determining the holders of shares entitled to annual dividends, we may close the register of our stockholders for the period from January 1 until January 31. Further, the Korean Commercial Code and our articles of incorporation permit us, upon at least two weeks' public notice, to set a record date and/or close the register of stockholders for not more than three months for the purpose of determining the stockholders entitled to certain rights pertaining to the shares. The trading of shares and the related delivery of share certificates may continue while the register of stockholders is closed.

Annual and Interim Reports. At least one week before the annual general meeting of stockholders, we must make our annual report and audited financial statements available for inspection at our head office and at all of our branch offices. We must make copies of our annual reports, our audited financial statements and any resolutions adopted at the general meeting of stockholders available to our stockholders.

Under the Financial Investment Services and Capital Markets Act, we must file with the Financial Services Commission and the KRX KOSPI Market:

an annual report within 90 days after the end of each fiscal year;

a half-year report within 45 days after the end of the first six months of each fiscal year; and

quarterly reports within 45 days after the end of the first three months and nine months of each fiscal year.

Copies of these reports will be available for public inspection at the Financial Services Commission and the KRX KOSPI Market.

Transfer of Shares. Under the Korean Commercial Code, share transfers are effected by the delivery of share certificates. The Financial Investment Services and Capital Markets Act provides, however, that in case of a company listed on the KRX KOSPI Market (like us), share transfers can be effected using a book-entry system. The transferee must have its name and address registered on our register of stockholders in order to assert its stockholder's rights. For this purpose, stockholders must file their name, address and seal with us. Non-resident stockholders must tell us the name of their proxy in Korea to which we can send notices. Under current Korean regulations, the following entities may act as agents and provide related services for foreign stockholders:

the Korea Securities Depository;

internationally recognized foreign custodians;

financial investment companies with a dealing license (including domestic branches of foreign financial investment companies with such license);

Table of Contents

financial investment companies with a brokerage license (including domestic branches of foreign financial investment companies with such license);

foreign exchange banks (including domestic branches of foreign banks); and

financial investment companies with a collective investment license (including domestic branches of foreign financial investment companies with such license).

Foreign stockholders may appoint a standing proxy from the foregoing and generally may not allow any person other than the standing proxy to exercise rights to the acquired shares or perform any tasks related thereto on their behalf.

Foreign exchange controls and securities regulations apply to the transfer of shares by non-residents or non-Koreans. See Item 9C. Markets.

Except as provided in the Financial Holding Company Act, the maximum aggregate shareholdings of a single stockholder or a person in a special relationship with any stockholder is 10% of our issued and outstanding voting shares. See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Financial Holding Companies Restriction on Ownership of a Financial Holding Company.

Our Acquisition of Our Shares. Under the Korean Commercial Code, we may acquire shares of our own capital stock under our name and for our own account upon a resolution of the general meeting of stockholders by either (i) purchasing such shares on the applicable stock exchange with respect to marketable securities traded on such stock exchange or (ii) purchasing shares, other than any redeemable shares as defined in Article 345, Paragraph (1) of the Korean Commercial Code, from each shareholder in proportion to their existing shareholding ratio through the methods set forth in the Presidential Decree under Article 345, Paragraph (1) of the Korean Commercial Code, provided that the total purchase price may not exceed the amount of our profit that may be distributed as dividends for the immediately preceding fiscal year.

In addition, pursuant to the Financial Investment Services and Capital Markets Act and after submission of certain reports to the Financial Services Commission, we may purchase our own capital stock on the KRX KOSPI Market or through a tender offer. We may also acquire interests in our capital stock through agreements with trust companies, securities investment companies or investment trust management companies. The aggregate purchase price of our capital stock may not exceed the total amount available for distribution of dividends at the end of the preceding fiscal year.

In general, subsidiaries of which we own 50% or more are not permitted to acquire our capital stock.

Item 10C. *Material Contracts*

In connection with the receipt of public funds by us and our subsidiaries, we entered into memoranda of understanding with the KDIC. Under the current terms of the memoranda of understanding entered into among us, Woori Bank, Kyongnam Bank, Kwangju Bank and the KDIC, we and our subsidiaries are required to meet financial and business targets and recapitalization goals on a semi-annual and/or quarterly basis until the end of 2014. See Item 4A. History and Development of the Company History Relationship with the Korean Government.

Item 10D. *Exchange Controls*
General

The Foreign Exchange Transaction Act of Korea and the Presidential Decree and regulations under that Act and Decree regulate investment in Korean securities by non-residents and issuance of securities outside Korea by Korean companies. We collectively refer to these laws and regulations as the Foreign Exchange Transaction Laws. Non-residents may invest in Korean securities only to the extent specifically allowed by the Foreign Exchange Transaction Laws or otherwise permitted by the Ministry of Strategy and Finance. The Financial

Table of Contents

Services Commission has also adopted regulations that restrict foreign investment in Korean securities and regulate the issuance of securities outside Korea by Korean companies, pursuant to its authority under the Financial Investment Services and Capital Markets Act.

Under the Foreign Exchange Transaction Laws, if the Korean government deems that:

the need to do so is inevitable due to the outbreak of natural calamities, wars, conflict of arms or grave and sudden changes in domestic or foreign economic circumstances or other similar situations, the Ministry of Strategy and Finance may temporarily suspend payment, receipt or the whole or part of transactions to which the Foreign Exchange Transaction Laws apply, or impose an obligation to safe-keep, deposit or sell means of payment in or to certain Korean governmental agencies or financial institutions; and

international balance of payments and international finance are confronted or are likely to be confronted with serious difficulty or the movement of capital between Korea and abroad brings or is likely to bring about serious obstacles in carrying out its currency policies, exchange rate policies and other macroeconomic policies, the Ministry of Strategy and Finance may take measures to require any person who intends to perform capital transactions to obtain permission or to require any person who performs capital transactions to deposit part of the payments received in these transactions at certain Korean governmental agencies or financial institutions.

Both of these actions are subject to limitations specified by the Foreign Exchange Transaction Laws.

Restrictions Applicable to Shares

Under the Foreign Exchange Transaction Laws, a foreign investor who intends to acquire shares must designate a foreign exchange bank at which he must open a foreign currency account and a Won account exclusively for stock investments. Approval is not required for remittance into Korea and deposit of foreign currency funds in the foreign currency account. Foreign currency funds may be transferred from the foreign currency account at the time required to place a deposit for, or settle the purchase price of, a stock purchase transaction to a Won account opened at a financial investment company with a dealing and/or brokerage license. Funds in the foreign currency account may be remitted abroad without any Korean governmental approval.

Dividends on shares of Korean companies are paid in Won. Korean governmental approval is not required for foreign investors to receive dividends on, or the Won proceeds from the sale of, any shares to be paid, received and retained in Korea. Dividends paid on, and the Won proceeds of the sale of, any shares held by a non-resident of Korea must be deposited either in a Won account with the investor's financial investment company with a dealing and/or brokerage license or in its own Won account. Funds in a foreign investor's Won account may be transferred to its foreign currency account or withdrawn for local living expenses up to certain limits. These funds may also be used to make future investments in shares or to pay the subscription price of new shares obtained through the exercise of pre-emptive rights.

Financial investment companies with a dealing and/or brokerage license may open foreign currency accounts with foreign exchange banks exclusively to accommodate foreign investors' stock investments in Korea. Through these accounts, such financial investment companies may enter into limited foreign exchange transactions, such as converting foreign currency funds and Won funds, either as a counterparty to or on behalf of foreign investors, without the investors having to open their own accounts with foreign exchange banks.

Item 10E. Taxation

The following summary is based upon tax laws, regulations, rulings, decrees, income tax conventions (treaties), administrative practice and judicial decisions of Korea and the United States as of the date of this annual report, and is subject to any change in the laws of Korea or the United States that may come into effect after such date.

Table of Contents

United States Taxation

This summary describes certain material U.S. federal income tax consequences for a U.S. holder (as defined below) of acquiring, owning, and disposing of common shares or ADSs. This summary applies to you only if you hold the common shares or ADSs as capital assets for tax purposes. This summary does not apply to you if you are a member of a class of holders subject to special rules, such as:

a dealer in securities or currencies;

a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;

a bank;

a life insurance company;

a tax-exempt organization;

a person that holds common shares or ADSs that are a hedge or that are hedged against interest rate or currency risks;

a person that holds common shares or ADSs as part of a straddle or conversion transaction for tax purposes;

a person whose functional currency for tax purposes is not the U.S. dollar; or

a person that owns or is deemed to own 10% or more of any class of our stock.

This summary is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations promulgated thereunder, and published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

Please consult your own tax advisers concerning the U.S. federal, state, local, and other tax consequences of purchasing, owning, and disposing of common shares or ADSs in your particular circumstances.

For purposes of this summary, you are a U.S. holder if you are the beneficial owner of a common share or an ADS and are:

a citizen or resident of the United States;

a U.S. domestic corporation; or

otherwise subject to U.S. federal income tax on a net income basis with respect to income from the common share or ADS.

In general, if you are the beneficial owner of ADSs, you will be treated as the beneficial owner of the common shares represented by those ADSs for U.S. federal income tax purposes, and no gain or loss will be recognized if you exchange an ADS for the common share represented

by that ADS.

Dividends

The gross amount of cash dividends that you receive (prior to deduction of Korean taxes) generally will be subject to U.S. federal income taxation as foreign source dividend income and will not be eligible for the dividends received deduction. Dividends paid in Won will be included in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date that you receive the dividend (or the depository receives the dividend, in the case of ADSs), regardless of whether the payment is in fact converted into U.S. dollars. If such a dividend is converted into U.S. dollars on the date of receipt, you generally should not be required to recognize foreign currency gain or loss in respect of the dividend income.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual with respect to the ADSs will be subject to taxation at reduced rates if the dividends are qualified dividends. Dividends paid on the ADSs will be treated as qualified dividends if (i) the ADSs are

Table of Contents

readily tradable on an established securities market in the United States and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company as defined for U.S. federal income tax purposes (PFIC). The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on our audited financial statements, we believe that we were not a PFIC in our 2012 or 2013 taxable year. In addition, based on our audited financial statements and current expectations regarding our income, assets and activities, we do not anticipate becoming a PFIC for our 2014 taxable year.

Distributions of additional shares in respect of common shares or ADSs that are made as part of a pro-rata distribution to all of our stockholders generally will not be subject to U.S. federal income tax.

Sale or Other Disposition

For U.S. federal income tax purposes, gain or loss you realize on a sale or other disposition of common shares or ADSs generally will be treated as U.S. source capital gain or loss, and will be long-term capital gain or loss if the common shares or ADSs were held for more than one year. Your ability to offset capital losses against ordinary income is limited. Long-term capital gain recognized by an individual U.S. holder generally is subject to taxation at reduced rates.

Foreign Tax Credit Considerations

You should consult your own tax advisers to determine whether you are subject to any special rules that limit your ability to make effective use of foreign tax credits. If no such rules apply, you may claim a credit against your U.S. federal income tax liability for Korean taxes withheld from dividends on the common shares or ADSs at the rate provided for under the income tax treaty between the United States and Korea, so long as you have owned the common shares or ADSs (and not entered into specified kinds of hedging transactions) for at least a 16-day period that includes the ex-dividend date. Instead of claiming a credit, you may, if you so elect, deduct such Korean taxes in computing your taxable income, subject to generally applicable limitations under U.S. tax law. Korean taxes withheld from a distribution of additional shares that is not subject to U.S. tax may be treated for U.S. federal income tax purposes as imposed on general category income. Such treatment could affect your ability to utilize any available foreign tax credit in respect of such taxes.

Any Korean securities transaction tax or agriculture and fishery special surtax that you pay will not be creditable for foreign tax credit purposes.

Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions in securities and may not be allowed in respect of arrangements in which a U.S. holder's expected economic profit is insubstantial.

The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions involve the application of complex rules that depend on a U.S. holder's particular circumstances. You should consult your own tax advisers regarding the creditability or deductibility of such taxes.

U.S. Information Reporting and Backup Withholding Rules

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the holder (i) is a corporation or other exempt recipient and demonstrates this when required or (ii) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non-U.S. status in connection with payments received within the United States or through a U.S.-related financial intermediary.

Table of Contents

Korean Taxation

The following summary of Korean tax considerations applies to you so long as you are not:

a resident of Korea;

a corporation with its head office, principal place of business or place of effective management in Korea; or

engaged in a trade or business in Korea through a permanent establishment or a fixed base to which the relevant income is attributable or with which the relevant income is effectively connected.

Please consult your own tax advisers as to the Korean, state, local and other tax consequences of the purchase, ownership and disposition of common shares.

Taxation of Dividends on Common Shares or ADSs

We will deduct Korean withholding tax from dividends paid to you (whether payable in cash or in shares) at a rate of 22.0% (inclusive of local income surtax). If you are a beneficial owner of the dividends in a country that has entered into a tax treaty with Korea, you may qualify for a reduced rate of Korean withholding tax. See *Tax Treaties* below for a discussion on treaty benefits. If we distribute to you shares representing a transfer of earning surplus or certain capital reserves into paid-in capital, that distribution may be subject to Korean withholding tax.

Taxation of Capital Gains from Transfer of Common Shares or ADSs

As a general rule, capital gains earned by non-residents upon transfer of our common shares or ADSs are subject to Korean withholding tax at the lower of (1) 11.0% (inclusive of local income surtax) of the gross proceeds realized or (2) subject to the production of satisfactory evidence of acquisition costs and certain direct transaction costs of the common shares or ADSs, 22.0% (inclusive of local income surtax) of the net realized gain, unless exempt from Korean income taxation under the applicable Korean tax treaty with the non-resident's country of tax residence. See *Tax Treaties* below for a discussion on treaty benefits. Even if you do not qualify for an exemption under a tax treaty, you will not be subject to the foregoing withholding tax on capital gains if you qualify under the relevant Korean domestic tax law exemptions discussed in the following paragraphs.

In regard to the transfer of our common shares through the Korea Exchange, you will not be subject to the withholding tax on capital gains (as described in the preceding paragraph) if you (1) have no permanent establishment in Korea and (2) did not own or have not owned (together with any shares owned by any entity with which you have a certain special relationship) 25% or more of our total issued and outstanding shares, which may include the common shares represented by the ADSs, at any time during the calendar year in which the sale occurs and during the five calendar years prior to the calendar year in which the sale occurs.

Under Korean tax law, ADSs are viewed as shares of common stock for capital gains tax purposes. Accordingly, capital gains from the sale or disposition of ADSs are taxed (if such sale or disposition constitutes a taxable event) as if such gains are from the sale or disposition of the underlying common shares. Capital gains that you earn (regardless of whether you have a permanent establishment in Korea) from a transfer of ADSs outside of Korea will generally be exempt from Korean income taxation by virtue of the Special Tax Treatment Control Law of Korea, or the STTCL, provided that the issuance of the ADSs is deemed to be an overseas issuance under the STTCL. However, if you transfer ADSs after having converted the underlying common shares, such exemption under the STTCL will not apply and you will be required to file a corporate income tax return and pay tax in Korea with respect to any capital gains derived from such transfer unless the purchaser or a financial investment company with a brokerage license, as applicable, withholds and pays such tax.

If you are subject to tax on capital gains with respect to the sale of ADSs, or of common shares you acquired as a result of a withdrawal, the purchaser or, in the case of the sale of common shares on the Korea Exchange or through a financial investment company with a brokerage license in Korea, the financial investment company, is required to withhold Korean tax from the sales price in an amount equal to the lower of (1) 11.0% (inclusive of

Table of Contents

local income surtax) of the gross realization proceeds or (2) subject to the production of satisfactory evidence of acquisition costs and certain direct transaction costs of the common shares or ADSs, 22.0% (inclusive of local income surtax) of the net realized gain, and to make payment of these amounts to the Korean tax authority, unless you establish your entitlement to an exemption under an applicable tax treaty or domestic tax law. See [Tax Treaties](#) below for a discussion on claiming treaty benefits.

Tax Treaties

Korea has entered into a number of income tax treaties with other countries (including the United States), which would reduce or exempt Korean withholding tax on dividends on, and capital gains on transfer of, the common shares or ADSs. For example, under the Korea-United States income tax treaty, reduced rates of Korean withholding tax of 16.5% or 11.0% (depending on your shareholding ratio and inclusive of local income surtax) on dividends and an exemption from Korean withholding tax on capital gains are available to residents of the United States that are beneficial owners of the relevant dividend income or capital gains, subject to certain exceptions. However, under Article 17 (Investment or Holding Companies) of the Korea-United States income tax treaty, such reduced rates and exemption do not apply if (i) you are a United States corporation, (ii) by reason of any special measures, the tax imposed on you by the United States with respect to such dividend income or capital gains is substantially less than the tax generally imposed by the United States on corporate profits and (iii) 25% or more of your capital is held of record or is otherwise determined, after consultation between competent authorities of the United States and Korea, to be owned directly or indirectly by one or more persons who are not individual residents of the United States. Also, under Article 16 (Capital Gains) of the Korea-United States income tax treaty, the exemption on capital gains does not apply if you are an individual and (a) you maintain a fixed base in Korea for an aggregate of 183 days or more during a given taxable year and your ADSs or common shares giving rise to capital gains are effectively connected with such fixed base or (b) you are present in Korea for an aggregate of 183 days or more during a given taxable year.

You should inquire for yourself whether you are entitled to the benefit of a tax treaty between Korea and the country where you are a resident. It is the responsibility of the party claiming the benefits of an income tax treaty in respect of dividend payments or capital gains to submit to us, the purchaser or the financial investment company, as applicable, a certificate as to his tax residence. In the absence of sufficient proof, we, the purchaser or the financial investment company, as applicable, must withhold tax at the normal rates. Furthermore, in order for you to claim the benefit of a tax rate deduction or tax exemption on certain Korean source income (such as dividends or capital gains) under an applicable tax treaty, Korean tax law requires you (or your agent) to submit an application (for a reduced withholding tax rate, the application for entitlement to a reduced tax rate, and for an exemption from withholding tax, the application for tax exemption along with a certificate of your tax residency issued by a competent authority of your country of tax residence, subject to certain exceptions) as the beneficial owner of such Korean source income, or a 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), or an 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.

Inheritance Tax and Gift Tax

If you die while holding an ADS or donate an ADS, it is unclear whether, for Korean inheritance and gift tax purposes, you will be treated as the owner of the common shares underlying the ADSs. If the tax authority interprets depository receipts as the underlying share certificates, you may be treated as the owner of the common shares and your heir or the donee (or in certain circumstances, you as the donor) will be subject to Korean inheritance or gift tax presently at the rate of 10% to 50%, provided that the value of the ADSs or common shares is greater than a specified amount.

Table of Contents

If you die while holding a common share or donate a common share, your heir or donee (or in certain circumstances, you as the donor) will be subject to Korean inheritance or gift tax at the same rate as indicated above.

At present, Korea has not entered into any tax treaty relating to inheritance or gift taxes.

Securities Transaction Tax

If you transfer our common shares on the Korea Exchange, you will be subject to securities transaction tax at the rate of 0.3% (including an agriculture and fishery special surtax) of the sale price of the common shares. If your transfer of the common shares is not made on the Korea Exchange, subject to certain exceptions, you will be subject to securities transaction tax at the rate of 0.5% and will not be subject to an agriculture and fishery special surtax.

Under the Securities Transaction Tax Law of Korea, depositary receipts (such as American depositary receipts evidencing the ADSs) constitute share certificates subject to the securities transaction tax. However, the transfer of depositary receipts listed on the New York Stock Exchange, the Nasdaq Global Market, or other qualified foreign exchanges is exempt from the securities transaction tax.

In principle, the securities transaction tax, if applicable, must be paid by the transferor of the common shares or ADSs. When the transfer is effected through a securities settlement company, such settlement company is generally required to withhold and pay the tax to the tax authorities. When such transfer is made through a financial investment company only, such financial investment company is required to withhold and pay the tax. Where the transfer is effected by a non-resident without a permanent establishment in Korea, other than through a securities settlement company or a financial investment company, the transferee is required to withhold the securities transaction tax.

Non-reporting or under-reporting of securities transaction tax will generally result in penalties equal to 20% to 40% of the non-reported tax amount or 10% to 40% of under-reported tax amount. Also, a failure to timely pay securities transaction tax due will result in penalties of 10.95% per annum of the due but unpaid tax amount. The penalties are imposed on the party responsible for paying the securities transaction tax or, if such tax is required to be withheld, on the party that has the obligation to withhold.

Item 10F. *Dividends and Paying Agents*
Not Applicable

Item 10G. *Statements by Experts*
Not Applicable

Item 10H. *Documents on Display*

We are subject to the information requirements of the Exchange Act, and, in accordance therewith, are required to file reports, including annual reports on Form 20-F, and other information with the U.S. Securities and Exchange Commission. These materials, including this annual report and the exhibits thereto, may be inspected and copied at the Commission's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the Commission at 1-800-SEC-0330 for further information on the public reference rooms. As a foreign private issuer, we are also required to make filings with the Commission by electronic means. Any filings we make electronically will be available to the public over the Internet at the Commission's web site at <http://www.sec.gov>.

Item 10I. *Subsidiary Information*
Not Applicable

Table of Contents

Item 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Overview

Our lending and trading businesses, our deposit taking activities and our operating environment expose us to various risks. Our risk management goal is to understand, measure and monitor these risks and to ensure that our employees strictly adhere to the policies and procedures that we establish. We seek to take a conservative approach to risk management in order to better insulate our operations from adverse events. Risks we face include:

credit risk;

market risk (primarily interest rate risk, equity risk, foreign exchange risk and commodity risk);

liquidity risk; and

operational and business risk (including legal risk).

We operate a group-wide, standardized risk management system. This system enhances our risk management capabilities by enabling us to exchange information among our and our subsidiaries risk management operations. In recent years, we have undertaken steps to further strengthen our risk management systems, including (i) using Tier I capital as available capital for purposes of our risk capital allocation beginning in 2012 in anticipation of Basel III requirements, and (ii) including stressed VaR to our market risk capital calculations beginning in 2012 in accordance with the guidance of the Financial Supervisory Service. We use our risk management systems to manage our risks within acceptable limits and to otherwise ensure the soundness of our assets and the stability of our operations.

We allocate our total risk capital in accordance with the guidelines set by our Group Risk Management Committee. As described in more detail below, the committee allocates:

risk capital with respect to credit risk, market risk, interest rate risk and operational and business risk with respect to Woori Bank and Woori Card; and

operational and business risk with respect to our other subsidiaries.

Through our group-wide, standardized risk management system we allocate our risk capital:

with respect to credit risk on the basis of Woori Bank's and Woori Card's standardized credit risk management systems, which are based on Woori Bank's CREPIA system as well as other portfolio credit models developed by third party vendors;

with respect to our market risk based on a market value at risk, or VaR, system and, beginning in 2012, including stressed VaR; and

with respect to our interest rate risk based on a historical simulation method, which simulates the current portfolio's net present value at a 99.9% confidence level for a one-year holding period.

We allocate our risk capital with respect to operational risk through a standardized approach in accordance with Basel II. We also apply business risk when allocating such risk capital which is based on earnings at risk (a measurement of the relativity of our total earnings).

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

Our risk capital allocation as a percentage of available capital, on a non-consolidated basis, with respect to 2014 is as follows:

	Available capital ⁽¹⁾	Risk capital ⁽²⁾	Risk appetite	Credit	Market	Interest rate	Operational	Insurance	Business	Correlation Effect	Buffer
(in billions of Won, except percentages)											
Woori Finance Holdings	17,140	12,442	72.6%	62.6%	5.0%	2.9%	6.1%	1.4%	5.5%	27.4%	
Woori Bank	16,665	13,008	78.1	67.1	6.2	3.2	5.9	1.2	5.6	21.9	
Woori Card	1,048	633	60.4	52.5	0.0	2.7	6.0	3.6	4.4	39.6	
Woori Investment Bank	47	45	95.3	74.2	8.5	12.7	6.4	0.0	6.4	4.7	

(1) Estimates based on Tier I capital.

(2) Includes credit risk of Woori Private Equity and operational risk of Woori FIS.

Table of Contents

Organization

We have a multi-tiered risk management governance structure. Our Group Risk Management Committee is ultimately responsible for group-wide risk management, and directs the various subordinate risk management entities. The Group Risk Management Council answers directly to the Group Risk Management Committee and coordinates the execution of these directives with the risk management units of our subsidiaries. Each Subsidiary Risk Management Committee, based on the Group Risk Management Committee's directives, determines risk management strategies and implements risk management policies and guidelines for the relevant subsidiary, sets the subsidiary's operational and business risk management policies and guidelines and directs the subsidiary's risk management units with support from the applicable Subsidiary Risk Management Council, but must keep within the group's risk guidelines. The Subsidiary Risk Management Committees generally receive input from their respective Subsidiary Risk Management Councils and subsidiary risk management units, which also report directly to the Group Risk Management Council.

The following chart sets out our risk management governance structure as of the date of this annual report:

We operate a double report system with respect to our risk management procedures. Each of our subsidiary risk management units is required to submit risk management reports directly to the Group Risk Management Department. Through this internal reporting system, we are able to better ascertain and strengthen the monitoring of our subsidiaries' risk management and are able to quickly address any deviation from our group-wide risk policies. From March 2010, following a group-wide review of our enterprise risk management procedures with outside consultants in 2009, we further supplemented our double report system by strengthening

Table of Contents

the role and independence of chief risk officers in our subsidiaries (including the appointment of dedicated chief risk officers in all of our subsidiaries) and expanding the role of subsidiary risk management units. Each subsidiary risk management unit is required to report directly to such subsidiary's chief risk officer on all material risk management issues as well as following the procedures under the double report system.

The Group Risk Management Committee, the Group Risk Management Council, the Subsidiary Risk Management Committees and the Subsidiary Risk Management Councils are responsible for managing risks relating to credit, markets, asset and liability management and liquidity. A number of other entities are responsible for managing our operational risks, including the following:

the Audit Council, which reports to our board-level Audit Committee, coordinates the execution of our operational and business risk management policy, particularly with regard to internal subsidiary practices;

the Legal and Compliance Department monitors compliance risk and makes suggestions regarding regulatory issues to the Financial Supervisory Service; and

each Subsidiary Risk Management Committee manages operational risks at the relevant subsidiary.

Group Risk Management Committee

The Group Risk Management Committee is our highest decision-making body with respect to our risk management operations. Our board of directors has delegated to it the authority and responsibility for ensuring effective executive-level management of the risks we face. The committee's major activities include:

determining and amending risk management strategies, policies, guidelines and limits in conformity with the strategy established by our board of directors;

determining the appropriate level of risks that we should be willing to undertake, including in connection with key business activities such as acquisitions, investments or entering into new business areas, prior to a decision by the board of directors on such matters;

allocating risk capital to each subsidiary and approving our subsidiaries' risk limit requests;

reviewing our group-wide risk profile, including the level of risks we are exposed to and the status of our risk management operations; and

monitoring our subsidiaries' compliance with our risk policies;

The Group Risk Management Committee is comprised of our chief executive officer, our chief financial officer and four outside directors. It operates independently from all business units and individual board members, and reports directly to our board of directors. Since 2012, we require the chairperson of the Group Risk Management Committee to be chosen from among the outside directors in order to enhance the independence and experience level of such chairperson. In addition, since our chief executive officer is a member of the committee, he is kept aware of risk-related issues. Our Group Risk Management Committee convenes at least quarterly, and makes decisions by majority vote of the attending members. At least a majority of the committee members must attend to constitute a quorum.

Group Risk Management Council

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

Our Group Risk Management Council is responsible for coordinating with the risk management units of our subsidiaries to ensure that they execute the policies, guidelines and limits established by the Group Risk Management Committee. The council's major activities include:

analyzing our risk status using information provided by our subsidiary-level risk management units;

adjusting the integrated risk-adjusted capital allocation plan and risk limits for each of our subsidiaries;

reviewing the key decisions of each Subsidiary Risk Management Committee, and discussing and resolving any risk management issues raised by those committees;

Table of Contents

coordinating issues relating to the integration of our risk management functions; and

performing any other duties delegated by the Group Risk Management Committee.

The Group Risk Management Council is comprised of our chief risk management officer and the head of our risk management department and the managing directors of the risk management units of all of our operating subsidiaries. It operates independently from all business units, and reports directly to the Group Risk Management Committee. Our Group Risk Management Council convenes on a monthly basis.

Our subsidiaries, in most cases through their respective risk management units, provide a variety of information to the Group Risk Management Council, including:

reports regarding the status of overall risk management, the status of limit compliance, and analysis and results of quarterly credit reviews, stress testing and back testing; and

reports regarding asset and liability management matters, including changes in risk-weighted assets and the status of our credit portfolio on a periodic basis.

Subsidiary Risk Management Committees

Each of our subsidiaries has delegated risk management authority to its Subsidiary Risk Management Committee. Each Subsidiary Risk Management Committee measures and monitors the various risks faced by the relevant subsidiary and reports to that subsidiary's board of directors regarding decisions that it makes on risk management issues. It also makes strategic decisions regarding the operations of the relevant subsidiary, such as allocating credit risk limits, setting total exposure limits and market risk-related limits and determining which market risk derivatives instruments the subsidiary can trade. The major activities of each Subsidiary Risk Management Committee include:

determining and monitoring risk policies, guidelines, limits and tolerance levels and the level of subsidiary risk in accordance with group policy;

reviewing and analyzing the subsidiary's risk profile;

setting limits for and adjusting the risk-adjusted capital allocation plan and risk levels for each business unit within the subsidiary; and

monitoring compliance with our group-wide risk management policies and practices at the business unit and subsidiary level.

Each Subsidiary Risk Management Committee is comprised of the subsidiary's chief executive officer, the non-standing members of its board of directors and the director of its risk management unit.

Subsidiary Risk Management Council

Our subsidiaries generally have a Subsidiary Risk Management Council, which is responsible for supporting the relevant Subsidiary Risk Management Committee in the implementation of its risk management policies and guidelines for such subsidiary, including by reviewing and reporting on agenda items to be discussed at meetings of the relevant Subsidiary Risk Management Committee, reviewing reports from the relevant subsidiary risk management units and performing any other duties delegated by the relevant Subsidiary Risk Management Committee.

Each Subsidiary Risk Management Council is generally comprised of the subsidiary's chief risk management officer, the head of its risk management unit and other executive officers responsible for such subsidiary's risk management-related functions. It operates independently from all business units, and reports directly to the Subsidiary Risk Management Committee.

Woori Bank has established a similar multi-tiered risk management governance structure for its own operations. Woori Bank's Subsidiary Risk Management Committee is ultimately responsible for risk management for that subsidiary. It provides subsidiary board-level direction regarding risk management

Table of Contents

strategies and policies to the risk management bodies that are subordinate to it. Woori Bank's Executive Risk Management Committee, which reports directly to Woori Bank's Subsidiary Risk Management Committee and chief executive officer, implements the execution of these strategies and policies. The Executive Risk Management Committee works with various Woori Bank business units, including its risk management unit and its individual business units. The risk management unit directly implements and ensures compliance with Woori Bank's risk policies and guidelines at an operational level. It monitors market risk and liquidity risk on a daily basis and credit risk and interest rate repricing gap risk on a monthly basis and makes quarterly reports to the Subsidiary Risk Management Committee and to the Group Risk Management Council.

Our non-banking subsidiaries generally have more simplified risk management governance structures.

Credit Risk Management

Our credit risk management policy objectives are to improve our asset quality, reduce our non-performing loans and minimize our concentration risk through a diversified, balanced and risk-weighted loan portfolio. Through our subsidiaries, we manage credit risk and continually monitor and improve our credit risk-related policies and guidelines to reflect changing risks in our business and the industries and sectors in which our customers operate.

We believe that an essential part of achieving our credit risk management objectives is utilizing a group-wide, standardized risk management system so that we can identify and manage the risks generated by our businesses using a standardized system. Each of Woori Bank and Woori Card is currently using a standardized credit risk management system based on Woori Bank's centralized credit risk management system called the CREPIA system. CREPIA is a credit risk management system which combines credit risk management and the credit approval process on a transactional level with respect to individual borrowers and approval with respect to each individual loan or credit. The system quantifies credit risk with respect to corporate borrowers using a mark-to-market methodology, which reflects both the likelihood of a default by a borrower as well as the likelihood of a change in such borrower's credit rating, and quantifies credit risk with respect to retail borrowers using a default mode methodology, which reflects the likelihood of a default by a borrower. We believe that CREPIA is a systematic and efficient credit evaluation system and that Woori Bank has expedited its loan review process and improved its ability to monitor and evaluate its overall risk profile by using this system. The main characteristics of CREPIA are as follows:

automation of credit risk management system, which allows us to centralize and automate many tasks relating to our credit risk management system;

automatic recognition and processing of different forms of credit, which allows us to process and approve different types of credit, such as new applicants, renewing applicants and changes in the condition of the loan or credit approved;

incorporation of credit risk management prior to approval of credit, which allows us to consider individualized characteristics of a borrower and enables us to calculate a more accurate price with respect to the loan or credit approved;

automatic credit risk monitoring after approval of credit, which allows us to evaluate and re-rate the loan or credit on a real-time basis as a result of any change in the characteristics of the borrower (including the condition of the underlying collateral, change in borrowing limit and early warning characteristics); and

automatic verification of internal procedures and regulations with respect to approval of credit, which reduces our operational risk and ensures that there are no material deviations from our loan and credit policies.

We also impose a credit risk limit for Woori Bank with respect to large exposures. We aim to avoid concentrations of exposure with respect to any single corporate borrower or affiliated group of corporate borrowers. Accordingly, we have established aggregate exposure limits based on Woori Bank's capital adequacy

Table of Contents

levels and, with respect to individual corporate borrowers, established limits by dividing the expected loss with respect to companies affiliated with such corporate borrower with the unexpected loss (a measurement of credit risk) of such borrower and converting that into an exposure amount. We use this as the basis for our large exposure limits with respect to such corporate borrower.

We also impose a similar credit risk limit for Woori Bank and Woori Private Equity with respect to investment in private equity funds. Much like large exposure limits with respect to corporate borrowers, we aim to avoid concentrations of exposure with respect to any single private equity fund or affiliated group of funds. Accordingly, we have established aggregate investment limits based on the capital adequacy levels of Woori Bank and Woori Private Equity and, with respect to limits on each opportunity to invest, established limits depending on whether the target fund is an affiliate, or our participation or the participation by our subsidiaries is as a limited or general partner. We also impose a principal investment limit for investment activities that our subsidiaries undertake as a principal (as opposed to as an agent). The principal investment limit for each subsidiary is set as a certain percentage of the capitalization of such subsidiary.

We use our credit risk management systems to measure and control credit risk, to evaluate and approve new credit and to review and monitor outstanding credit. We conduct various quantitative and qualitative analyses to establish acceptable risk levels that provide what we believe are appropriate levels of return on investments. The credit risk management systems that we use to do this integrate various data, including customers financial and economic condition, limits on loans and guarantee amounts, cash flow evaluations, collateral levels, our desired profit margin and the likelihood of unexpected loan losses.

Each subsidiary monitors its level of risk, determines how that level compares to our target optimized level of risk on a monthly basis and produces risk analysis reports and optimization reports on a monthly basis and stress test reports on an ad hoc basis. These reports, which are sent monthly to the respective Subsidiary Risk Management Committees and quarterly to the Group Risk Management Committee, provide a basis to set risk limits for, and allocate capital to, a subsidiary's business units.

Credit Evaluation and Approval

Our subsidiaries evaluate the credit of every loan applicant and guarantor before approving any loans, except for:

loans guaranteed by letters of guarantee issued by the Korea Credit Guarantee Fund, the Korea Technology Credit Guarantee Fund or certain other specified Korean government-controlled funds;

loans guaranteed by highly rated banks;

loans fully secured by deposits with us; and

loans against commercial promissory notes issued by creditworthy companies at a discount to the face value of the note determined by the issuer's creditworthiness.

The evaluation and approval process differs depending on whether the loan is a corporate loan, a general household consumer loan, or a mortgage or home equity loan, and there is a separate process for credit card applications. We have in recent years implemented a group-wide standardized expected loss and unexpected loss credit risk system which we believe enables us to better allocate risk capital on a group-wide basis by evaluating unexpected loss (a measurement of credit risk), VaR (a measurement of market risk) and earnings at risk (a measurement of whether our assets and liabilities are mismatched). We intend to also standardize our risk-adjusted performance measurement system and implement that system on a group-wide basis.

Woori Bank has undertaken a number of initiatives to develop credit evaluation and loan approval procedures that are more systematic and efficient. We prefer to use credit rating systems in our credit evaluation and loan approval process because they:

yield a uniform result regardless of the user;

Table of Contents

can be used effectively by employees who do not have extensive experience in credit evaluation;

can be easily updated to reflect changing market conditions by changing how factors are weighted;

significantly limit the scope of employee discretion in the loan assessment and approval process; and

improve loan processing times while generally resulting in declines in delinquencies among new borrowers.

Woori Bank operates a CREPIA credit evaluation system for corporate loans (including small- and medium-sized enterprise loans) and a consumer credit evaluation system for consumer loans.

Customers apply for loans by submitting a loan application through one of our subsidiaries' branches. These applications are initially reviewed using the appropriate credit evaluation system and, in the case of applications for a small amount or involving applicants with little or no credit risk, are approved by the branch manager or a relationship manager acting in concert with a credit officer based on the credit risk rating they receive under that system. Applications for larger loans and loans which are determined to involve greater credit risk are approved by bodies with greater authority, depending on where those loans fall in a matrix of size, collateral and credit risk. These loan applications will be referred to a credit officer committee at an office located near the customer, which may or may not be at the subsidiary's headquarters. Every credit officer committee is made up of credit officers from headquarters and has the same level of authority. Applications that cannot be approved by a credit officer committee are referred to a senior credit officer committee or the Loan Committee of the relevant subsidiary, depending on loan size, collateral and credit risk. The following table sets forth as an example the various Woori Bank committees and personnel involved in its credit evaluation and loan approval process:

Committee	Members	Approval Process
Headquarters Approval Loan Committee	Head of the credit support unit, head of the risk management unit, head of the investment banking unit, head of the capital market unit, head of the large corporate audit department, and head of medium-size enterprise audit department (no more than seven persons)	2/3 required for approval; 2/3 required to participate
Headquarters/Regional Approval Senior Credit Officer Committee	One head senior credit officer and four to six other senior credit officers (five to seven persons)	2/3 required for approval; 2/3 required to participate
Credit Officer Committee	At least one senior credit officer and two other credit officers (at least three persons)	2/3 required for approval; 2/3 required to participate
Individual Approval		
Senior Relationship Manager	Individual	Approval of the individual
Relationship Manager	Individual	Approval of the individual
Branch Manager	Individual	Approval of the individual
Different individuals or committees review and approve loan applications depending on various factors, including:		

the size and type of the loan;

the level of credit risk established by the credit rating system;

whether the loan is secured by collateral; and

if the loan is secured, an assessment of the collateral.

Table of Contents

Loan applications are generally reviewed only by the highest-level committee required to approve the loan, although multiple reviews, including separate reviews at the branch, regional and headquarters level, may occur depending on the size and terms of any particular loan or a borrower's credit risk.

Corporate Loan Approval Process

Woori Bank's branches review corporate loan applications using a credit evaluation system for corporate borrowers. Each corporate credit evaluation system measures various quantitative and qualitative factors. The model used by the credit evaluation system to review an application depends, however, on certain characteristics of the potential borrower. Woori Bank's credit risk management department, together with its large corporate loan department and small- and medium-sized enterprise loan department, has developed separate credit evaluation models for large corporate borrowers that are subject to external audit under the External Audit Act of Korea, large corporate borrowers that are not subject to external audit, medium-sized enterprises and SOHO borrowers that either have outstanding loans, or are applying for a loan, in excess of 1 billion. In general, each model uses scores from both a computerized evaluation of quantitative financial factors, such as cash flow and income, and more qualitative factors which are scored using judgments by the credit officer or officers reviewing the application to produce an overall credit risk rating. These credit evaluation systems provide our subsidiaries with tools to make consistent credit decisions and assist them in making risk-based pricing decisions. Woori Bank's CREPIA system, depending on whether the borrower is audited by independent auditors and its size, produces two separate scores based on one of 14 rating models: one for quantitative current financial factors, which is weighted 60% in determining the CREPIA credit risk rating, and another for the more qualitative factors that the judgment of our credit officers plays a more significant part in determining, which is weighted 40%. The CREPIA credit risk rating estimates the probability that Woori Bank will recover extended credits and the likelihood that borrowers will default. Qualitative factors included in CREPIA include:

a customer's future financial condition;

its competitive position in the industry;

its industry situation;

the quality of its management;

its technological merits;

its operations;

the nature and the location of any collateral; and

our level of priority in that collateral to estimate non-recovery risks.

These qualitative factors are input into the CREPIA system by the credit officer, and are scored based on his or her historical experience and that of the bank.

The CREPIA system produces separate credit risk ratings for each borrower and for each loan requested by that borrower. Woori Bank's credit analysis and approval center evaluates and approves corporate loan applications based on these credit risk ratings. The CREPIA system assigns each borrower and facility one of the following fourteen credit risk rating grades from AAA to D, which are classified as follows: AAA (extremely strong), AA (very strong), A+ (strong), A (good), BBB+ (more adequate), BBB (adequate), BBB- (less adequate), BB+ (less susceptible), BB (susceptible), BB- (more susceptible), B+ (slightly weak), B (weak), C (very weak) and D (default). Certain loans are subject to review by the Loan Committee depending on the size of the loan and the determined credit risk rating. Examples of this include loan

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

applications for secured loans in excess of 60 billion regardless of the borrower's or facility's credit risk rating, and, at the other extreme for unsecured loans, loan applications in excess of 4 billion for a borrower or facility with a credit risk rating of BB- to C. Applications from borrowers with loans on a subsidiary's watch list (see Credit Review and Monitoring below) are also automatically reviewed by its Loan Committee.

Table of Contents

Woori Bank uses the same systems to evaluate and approve applications from small- and medium-sized enterprises that it uses to evaluate other corporate borrowers, but uses different credit evaluation models. Woori Bank's credit evaluation models for small- and medium-sized enterprise customers, which are incorporated into the CREPIA system, use the same quantitative and qualitative factors that Woori Bank uses to evaluate other corporate customers. However, the small- and medium-sized enterprise models apply a 50% weighting to the score derived from quantitative factors and a 50% weighting to the score derived from the more flexible qualitative factors in determining the credit risk rating. Woori Bank also uses a separate credit evaluation model to evaluate newly opening small- and medium-sized enterprises that relies solely on qualitative factors. In addition, Woori Bank has adopted a separate credit evaluation system for SOHOs (such as pharmacies, clinics and restaurants) which either have outstanding loans, or are applying for a loan, of 1 billion or less that uses simpler credit evaluation models and resembles our application scoring system for new retail customers.

With respect to the evaluation of any collateral to which a commercial loan application relates (which principally consists of land, buildings and equipment), the fair value of such underlying collateral for commercial loans is appraised by external valuation experts and such appraisals are collated in Woori Bank's CREPIA system. Woori Bank uses its CREPIA system to manage its lending activities, and inputs data gathered from loan application forms, credit scores of borrowers and the appraisal value of collateral provided by external valuation experts into the CREPIA system and updates such information periodically to reflect changes in such information (such as any changes in credit scores of borrowers or the appraisal value of collateral). In addition, to validate the appropriateness of the appraisal values provided by such external valuation experts, we review the qualification of the external valuation experts (including a review of whether such experts are legitimately registered with the Korea Association of Property Appraisers) and evaluate the assumptions and valuation model used by such experts as well as the appropriateness of variables by reference to market data and comparisons to actual transaction prices in similar regions.

We have set credit limits for our corporate customers. Some of these limits, particularly those imposed by Korean banking regulations, apply to all of our subsidiaries, and are aimed at preventing loan concentrations relating to any single customer. See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Banks Financial Exposure to Any Individual Customer or Major Shareholder. In certain cases, our subsidiaries have introduced even stricter exposure limits than required by regulation, including additional limitations on providing credit to certain borrowers. Woori Bank has introduced and implemented internally developed large exposure limits that are stricter than the applicable Financial Services Commission requirements.

In evaluating applications, credit officers or the Loan Committee will often, in addition to reviewing ratings from these credit evaluation models, also refer to corporate information gathered or ratings assigned by external credit rating agencies, such as the Korea Federation of Banks, Korea Information Service, Korean government-released information on bankruptcy rates, National Information & Credit Evaluation Inc. and Korea Management Consulting & Credit Rating Corporation. They review the information we obtain from these sources and compare it to the information we have developed internally with respect to our customers to improve the accuracy of our internal credit ratings.

Consumer Loan Approval Process

The consumer loan department of Woori Bank evaluates and approves consumer loan applications using a dedicated consumer credit evaluation system. Woori Bank's consumer credit evaluation system assigns a credit score to each application based on its evaluation of various factors. These factors include any loan and guarantee limits we have set for particular borrowers or groups of borrowers and our evaluation of their cash flows and credit profiles. The system gives each customer's loan application a score from one to ten. Woori Bank also uses another scoring system based on the external ratings provided by the Korea Credit Bureau. Applications are classified as automatically approved, automatically rejected and subject to further evaluation based on a combination of the scores of these two systems. Woori Bank uses these systems to evaluate all new consumer loan applications, except for loans fully secured by deposits with Woori Bank.

Table of Contents

Woori Bank augments its consumer credit evaluation system with a behavioral scoring system. The behavioral scoring system enhances the consumer credit evaluation system by enabling the consideration of factors not previously evaluated, including the customer's spending history and credit behavior. By the nature of the information it analyzes, however, the behavioral scoring system can only be used for applications of persons who are existing borrowers, generally consisting of roll-overs of outstanding amounts or increases to existing credit limits.

We also evaluate any collateral to which a consumer loan application relates (which principally consists of residential properties) using the fair value of the underlying collateral appraised by Korea Investors Service as part of our loan approval process. Such appraisals are collated in the CREPIA system used by Woori Bank, and such information is updated periodically to reflect changes (such as any changes in credit scores of borrowers or the appraisal value of collateral). For example, Woori Bank automatically obtains re-evaluations for the underlying collateral for secured consumer loans and mortgages every month with respect to apartments. If the value of the collateral declines, we may have the ability to require that the borrower provide more collateral or to change the payment terms of the relevant loan.

Credit Card Approval Process

We have worked to ensure that risk management and credit extension policies with respect to our credit card operations reflect our group-wide risk management policies and guidelines.

Woori Card reviews each new card application for completeness, accuracy and creditworthiness. It bases this review on various factors that assess the applicant's ability to repay borrowed amounts. The review process involves three stages:

Initial Application Process. Woori Card verifies basic information by requesting certain documents from the applicant, generally contacts the applicant directly (usually by telephone, although there are personal visits to some applicants) and statistically analyzes the applicant's personal credit history together with financial and default information gathered from third-party sources and its internal database. The analysis considers various factors including employment, default status and historical relationships with Woori Bank and any delinquency history with other credit card companies. Woori Card also reviews information about an applicant obtained from external databases maintained by the Korea Federation of Banks and Nice Information Service Inc.

Application Scoring System Process. The application scoring system at Woori Card is a standardized evaluation tool used to determine the probability of a credit card applicant defaulting during the one-year period following issuance. The application scoring system, using a statistical model, assigns risks to factors that indicate a probability of non-payment. The model analyzes credit history, occupation and income data to develop a combined risk score. The applicant's eligibility to receive a credit card and credit limit is determined by its anticipated delinquency ratio over 90 days within one year.

Credit Assessment. If the application is approved, then the application scoring system assessment is used to determine the applicant's credit limit. The aggregate credit limit for a new applicant who is an individual rarely exceeds 20 million. There is a separate but similar system for determining the credit limit available to corporate card applicants, which will generally be higher than limits available to individual applicants but will not provide for the ability to obtain cash advances.

The entire approval process generally takes two to three days and the applicant receives the new card within one week after making an application. Woori Card evaluates and updates the application scoring system on a monthly basis (or more frequently as required) to incorporate new data or adjust the importance placed on existing data or market conditions.

Table of Contents

Credit Review and Monitoring

Our credit review and monitoring procedures are designed to reduce the risks of deterioration in our asset quality and to maintain acceptable levels of portfolio risk. These procedures include:

confirming a borrower's credit rating or score;

ensuring the accuracy of the credit analysis done by our credit officers; and

ensuring compliance with internal policies relating to loan approval.

We believe that these procedures enable us to identify potential non-performing loans as soon as possible and minimize the possibility of approving in advance loans that will become non-performing. These procedures also enable us to manage credit risk more effectively and set interest rates to more accurately reach our targeted level of return.

Loan Review and Monitoring

Woori Bank monitors credit risk with respect to its borrowers using its loan review system. Woori Bank has a loan review department that oversees its review and monitoring efforts. After a loan has been approved, the relevant materials or the results generated by Woori Bank's credit evaluation system, together with any supporting data, are reviewed by an officer in that department. There are three types of reviews that Woori Bank's loan review unit undertakes:

Desk review. Desk reviews are the most common and are generally done within five days after a loan has been approved. Although the process is similar, different loans are automatically reviewed by Woori Bank based on the size of the loan. The loan review department will initiate a desk review of loans approved by a credit officer committee or the Loan Committee, for any corporate loan that exceeded 5 billion, any consumer loan that exceeded 1 billion, any loan to a housing applicant group that exceeded 5 billion or any loan where the loan terms were adjusted. For loans originating from a branch, the loan review department will randomly initiate a desk review for new domestic loans. For overseas loans, desk reviews are conducted for new loans (including credit limit increases) that exceed US\$300,000. Ex post desk reviews are also conducted on consumer and corporate loans approved by a domestic branch manager for borrowers with aggregate unsecured loans that exceed 50 million or aggregate secured loans that exceed 300 million, and new consumer and corporate loans (including credit limit increases) that exceed US\$30,000 approved by overseas branch managers.

Periodic review. Periodic reviews are done on a quarterly, semi-annual or annual basis with respect to loans that are current and exceed 10 billion or with respect to borrowers who are on a watch list with respect to possible insolvency. Quarterly periodic reviews are done for certain corporate borrowers, depending on their size and the borrower's industry.

Ad hoc review. Ad hoc reviews can be done at any time. The head of the subsidiary risk management department or the chief executive officer or chief financial officer of Woori Bank can initiate ad hoc reviews. Loan review officers who are responsible for desk and periodic reviews also conduct ad hoc reviews.

Following a review, Woori Bank's sales office may hold additional meetings with the borrower and adjust the loan amount or the borrower's credit rating. The loan review department may also direct sales office personnel to institute early collections or to adjust a borrower's credit rating, total exposure and asset portfolio without consulting the borrower. The loan review officer may request that the credit officer adjust a borrower's credit ratings based on various factors, including asset quality, credit limits, applied interest rates and our credit policies. We also continually review other factors, such as industries in which borrowers operate and their domestic and overseas assets and operations, to ensure that our ratings are appropriate.

Table of Contents

Woori Bank monitors and manages its exposures to and credit limits for corporations and *chaebols* on a daily basis. Woori Bank uses its Total Exposure Management System to make real-time inquiries regarding its exposures, either by company or by *chaebol*, and to manage the credit limits for all kinds of business transactions. Woori Bank monitors and analyzes these exposures on a monthly basis. Corporate borrowers on Woori Bank's watch list are monitored more closely and with respect to additional aspects of their relationships with us. Woori Bank places borrowers on its watch list when it believes that any impediment on a borrower's ability to meet its financial obligations exists or is pending. Woori Bank may also monitor newly extended credits or any additional credits extended to a previous borrower more frequently if it believes additional monitoring is necessary after reviewing the loan approval process. Credits outstanding to a particular industry or region that Woori Bank believes are higher risk are monitored even more frequently. Based on the results of such monitoring, the loan review department of Woori Bank provides monthly reports to its chief executive officer and its Subsidiary Risk Management Committee.

The consumer loan department of Woori Bank has the ability to conduct daily surveillance on the status of its retail borrowers through an on-line system established by the Korea Federation of Banks. This system, which tracks consumer loans at all major Korean banks and non-banking institutions, permits us to track all loan defaults by any borrower. We evaluate the need to monitor consumer loans by using our consumer credit evaluation system, including its behavioral scoring system, and make adjustments to the credit scoring formula based on the results of that process.

Woori Bank's loan review department in its risk management unit is required to submit monthly loan review reports and quarterly deficiency reports to the chief executive officer and the head of the risk management unit of that subsidiary. The chief executive officer then provides feedback to the relevant sales offices of Woori Bank's branches through its auditing team or relevant business unit. Based on these reports, we may, for example, stop lending to particular borrowers, change credit limits or modify our loan approval procedures. We do not monitor loans to certain borrowers, such as loans to government entities such as the KDIC or to companies in workout proceedings.

Credit Card Review and Monitoring

Woori Card monitors its risk exposure to individual accounts on a regular basis. It monitors each customer's card usage trends and negative credit data such as delinquency information through both its own credit risk management system (which was developed with the assistance of an outside consultant) and BC Card's similar system (which BC Card maintains for its member banks). These systems monitor the behavior of users of Woori Card's credit cards, using both internally generated information and information from external sources. Woori Card statistically analyzes this information to estimate each customer's creditworthiness on a monthly basis. The credit risk management system is an integral part of the credit practices at Woori Card and is used to determine increases or decreases in credit limits, reset interest rates, set fee levels, authorize special transactions and approve card loans using criteria such as:

how much credit each customer has incurred in the past (i.e., frequency and amount of payments);

whether a customer uses his card to make credit card purchases or to get cash advances;

internal credit scores; and

whether the customer has been delinquent in making payments.

After assigning appropriate weightings to each factor, the system computes a behavior score and uses that score to classify each cardholder. Each customer's credit limit is subject to adjustment in accordance with the monthly updated score. Woori Card uses these results and the results of its application scoring system to evaluate its credit risk management system and make adjustments to its credit scoring formula based on the results of that process.

Table of Contents

Woori Card's credit risk management system has also been able to run various simulations in connection with monitoring its operations, including:

new product simulations, which predict a customer's likely spending pattern when using a new credit card product and analyzes that pattern to predict the new product's costs, delinquencies and profitability; and

credit use limit simulations, which test whether a customer's credit limit has been properly set by simulating an increase or decrease of that limit.

Woori Card's credit administration team manages customer credit risk for users of its credit cards. It reviews and updates its underwriting, credit evaluation, collection, servicing and write-off procedures, and the terms and conditions of card agreements, from time to time in accordance with its business practices, applicable law and guidelines issued by regulatory authorities.

Early Warning Systems

Woori Bank and Woori Card have developed separate early warning systems that monitor the status of both commercial and retail borrowers and evaluate all of a customer's outstanding credits. These systems monitor various factors, including the financial status, financial transaction status, industry rating and management status of borrowers. They enable our subsidiaries to find defaults and signs of potential delinquency in advance, monitor these problematic credits properly before any default or delayed payment occurs and keep track of information on the credit status of borrowers. Updated information is input as it becomes available, either automatically from internal and external sources or manually. This information includes data relating to:

credit evaluation and monitoring system results, which determine if a borrower should be put on a watch list;

loan transactions, such as a borrower's remaining line of credit and whether it has any dishonored notes, overdue loans or setoffs with respect to collateral deposits which have not matured;

deposit transactions, such as any decrease in a borrower's average deposit balance, requests for large volumes of promissory notes or checks, or the inability to pay immediately available funds owed when due;

foreign exchange transactions, such as unpaid amounts of a borrower's purchased export bills that have exceeded the maturity date; and

other information, such as a borrower's management and employees, business operations, production operations, financial affairs and accounting operations and bank transactions.

We also monitor borrowers' credits through on-line credit reports that are provided by Korea Information Service and National Information & Credit Evaluation, Inc., which are Korean credit reporting agencies.

After gathering this information, for example at Woori Bank, the CREPIA system reviews such information to monitor any changes that could affect the credit rating of the borrower, approval conditions with respect to the loan or credit, underlying collateral or assigned credit limit of the borrower. Depending on the likelihood of the change, the system automatically sends a signal to the responsible credit officer. The officer then evaluates the information and formulates an action plan, which could result in an adjustment in the borrower's credit rating or loan pricing, a re-evaluation of the loan or the taking of other preventative measures.

Credit Remediation

We believe that by centralizing the management of our non-performing credits within each subsidiary we can implement uniform policies for non-performing credit resolution, pool institutional knowledge and create a more specialized (and therefore more efficient) work force. Each of our subsidiaries has one or more units that are responsible for managing non-performing loans. At Woori Bank, for example, the Credit Management and Collection Department and the Corporate Restructuring Department generally oversee the process for resolving

Table of Contents

non-performing loans transferred to them by other Woori Bank business units. When a loan becomes non-performing, the Credit Management and Collection Department and the Corporate Restructuring Department will begin a due diligence review of the borrower's assets, send a notice demanding payment or stating that the unit will take legal action, and prepare for legal action. At the same time, we initiate our non-performing loan management process. Once we have confirmed the details of a non-performing loan, we make efforts to recover amounts owed to us. Methods for resolving non-performing loans include commencing collection proceedings or legal actions and writing off such loans, transferring them to subsidiaries in charge of collection and authorizing those subsidiaries to recover what they can. We have also disposed of a number of non-performing credits to KAMCO, UAMCO and various structured companies. See Item 4B. Business Overview Assets and Liabilities Asset Quality of Loans Non-Performing Loan Strategy.

Market Risk Management

The principal market risks to which we are exposed are interest rate risk, equity risk and, to a lesser extent, foreign exchange risk and commodity risk. We divide market risk into risks arising from trading activities and risks relating to management of our assets and liabilities. The financial instruments that expose us to market risks are primarily trading and available-for-sale securities and financial derivatives and, with respect to commodity risk, commodity derivatives.

Our Group Risk Management Committee establishes our risk capital allocation and risk limits for our trading activities. The Group Risk Management Committee has delegated the responsibility for coordinating market risk management for trading activities to the Group Risk Management Council. The risk management units of each of our subsidiaries coordinates with the Group Risk Management Council. These units review on a daily basis reports that include trading profits and losses, position reports, stress test results and value at risk results for our trading activities. Any violations of such risk limits are reported to the Group Risk Management Department.

Market Risk Management for Trading Activities

We measure market risk from trading activities to monitor and control the risk of our business groups and teams that perform those activities. Our trading activities consist of:

trading activities for our own account to realize short-term trading profits in debt (primarily Won-denominated), equity and foreign exchange markets based on our forecasts of changes in market situation and customer demand; and

trading activities involving derivatives transactions, including interest rate and foreign exchange swaps, forwards, futures and options and, to a lesser extent, commodity derivatives, primarily to sell derivatives products to our customers and to hedge our own market risk.

Market risk arising from our trading activities can be subdivided into interest rate risk, equity risk, foreign exchange risk and commodity risk:

Interest rate risk is a significant risk to which our trading activities are exposed. This risk arises primarily from our debt securities (which are primarily held by Woori Bank). We set different risk limits for our interest rate risk for our trading and non-trading debt portfolios.

Equity risk arises from price and volatility fluctuations in equity securities and derivatives.

Foreign exchange risk arises from foreign currency-denominated assets and liabilities in both our trading and non-trading accounts and financial derivatives involving foreign currencies, which are not controlled separately on a trading and asset/liability management basis.

Commodity risk arises from price and volatility fluctuations in commodity derivatives.

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

The Group Risk Management Committee monitors market risk both for the group and for each subsidiary individually. See Overview. The Group Risk Management Committee has established a maximum market

Table of Contents

risk appetite for each subsidiary, which is defined as the risk capital of such subsidiary divided by its available capital. Risk capital is a benchmark figure that determines the VaR limits, accumulated loss limits (for trading portfolios) and present value of a basis point (or PVBP) limits (for non-trading available-for-sale assets) for each subsidiary. Available capital generally consists of stockholder's equity. Using this benchmark, as of December 31, 2013, we have established market risk limits with respect to Woori Bank as shown in the following table:

VaR Limit	Trading Portfolio		Non-Trading Portfolio PVBP Limit
	Quarter	Accumulated Loss Limit (in billions of Won)	
16.5	56.1	112.1	2.333

Each of our subsidiaries generally manages its market risk at the portfolio level, rather than on a credit-by-credit basis. To control its exposure, each of our subsidiaries takes into consideration the VaR limits, accumulated loss limits and PVBP limits set by the Group Risk Management Committee in determining its internal allocation of risk among its various portfolios. Each subsidiary also sets its own stop loss limits with respect to particular types of transactions. Each subsidiary uses an integrated market risk management system to manage market risks for its debt and equity trading operations. This system enables each subsidiary to generate consistent VaR numbers for all of its trading activities.

In addition, we have implemented internal processes which include a number of key controls designed to ensure that fair value is measured appropriately, particularly where a fair value model is internally developed and used to price a significant product. See Item 5A. Operating Results Critical Accounting Policies Valuation of Financial Assets and Liabilities and Notes 2-(9)-5), 3-(3) and 11 of the notes to our consolidated financial statements. For example, Woori Bank's Risk Management Department reviews the existing pricing and valuation models on a regular basis, with a focus on their underlying modeling assumptions and restrictions, to assess the appropriateness of their continued use. In consultation with Woori Bank's Trading Department, the Risk Management Department recommends potential valuation models to Woori Bank's Fair Value Evaluation Committee. Upon approval by Woori Bank's Fair Value Evaluation Committee, the selected valuation models are reported to its Risk Management Committee.

Value at Risk analysis. We use daily VaR to measure market risk. Our daily VaR is a statistically estimated maximum amount of loss that can occur for a day. We use a 99% confidence level to measure our daily VaR, which means the actual amount of loss may exceed the VaR, on average, once out of 100 business days. We use the variance-covariance method which takes into account the diversification effects among different risk factors. This method is based on two assumptions: first, that the distribution of risk factors is normal; and, second, that profit and loss is a quadratic function of the returns. Different VaR methodologies and distributional assumption could produce a materially different VaR.

Although VaR is a commonly used market risk management technique, it has some inadequacies. Since it is a statistical approach, VaR estimates possible losses over a certain period at a particular confidence level using past market movement data. Past market movements, however, are not necessarily a good indicator of future events. Another problem with VaR is that the time periods used for the model, generally one or ten days, are assumed to be a sufficient holding period before liquidating the relevant underlying positions. If these holding periods are not sufficient, or too long, VaR may understate or overstate the potential loss. VaR is most appropriate as a risk measure for trading positions in liquid financial markets and will understate the risk associated with severe events, such as a period of extreme liquidity.

Table of Contents

The following table shows our daily VaR for Woori Bank as of December 31, 2011, 2012 and 2013 at a 99% confidence level for a one-day holding period, for interest rate risk, equity risk, foreign exchange risk and commodity risk relating to its trading activities.

	Interest Rate Risk	Equity Risk	Foreign Exchange Risk	Commodity Risk	Less Diversification	VaR for Overall Trading Activities
	(in millions of Won)					
As of December 31, 2011	5,066	2,978	2,745	3	6,391	4,402
As of December 31, 2012	3,695	1,608	2,677	13	5,353	2,640
As of December 31, 2013	2,707	431	1,414	46	2,564	2,034

In 2013, the average, high, low and ending amounts of daily VaR for Woori Bank relating to its trading activities (at a 99% confidence level for a one-day holding period) were as follows:

	Trading activities VaR for 2013			As of December 31, 2013
	Average	Minimum	Maximum	
	(in millions of Won)			
Interest risk	3,472	2,391	5,937	2,707
Equity risk	1,049	420	2,434	431
Foreign exchange risk	1,549	1,033	2,775	1,414
Commodity risk	30	3	169	46
Total risk	2,693	1,927	5,230	2,034

Stress test. In addition to VaR, we perform stress testing to measure market risk. As VaR assumes normal market situations, we assess our market risk exposure to abnormal market fluctuations through stress testing. Stress testing is an important way of supporting VaR since VaR is a statistical expression of possible loss under a given confidence level and holding period. It does not cover potential loss if the market moves in a manner that is outside our normal expectations. Stress testing projects the anticipated change in value of holding positions under certain scenarios assuming that we take no action during a stress event to change the risk profile of a portfolio. The following table shows, for Woori Bank, the loss that would have occurred in its trading portfolio as of December 31, 2013 for assumed short-term extreme changes of a +/-20% change in the equity market and a +/-60 basis point change from interest rates prevailing in the market on that date, under an abnormal stress environment.

	(in billions of Won, except percentages)					
Equity Market Chart Market fluctuation amount	(20)%	(10)%	(5)%	5%	10%	20%
	9.8	3.1	0.7	0.4	2.1	7.3

	(in billions of Won, except basis points)					
Interest Rate Chart Basis point fluctuation amount	(60) basis	(40) basis	(20) basis	20 basis	40 basis	60 basis
	Points	points	points	points	points	points
	8.6	6.3	3.2	(3.3)	(6.5)	(9.7)

Stop loss limits. Our Subsidiary Risk Management Committees also approves total accumulated loss limits, and the heads of the relevant trading departments at Woori Bank set their own stop loss limits with respect to particular types of transactions. Woori Bank has stop loss limits for various trading activities, including:

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

for trading equity securities in Won, within 25% of the purchase price of such securities;

for trading fixed income securities in Won, within a specified range of increase in market interest rates (from 30 basis points to 250 basis points, depending on the time remaining until maturity of the relevant fixed income securities);

for available-for-sale equity securities in Won, within 35% of the book value of such securities;

Table of Contents

for available-for-sale fixed income securities in Won, within 10% of the book value of such securities;

for trading equity or fixed income securities in foreign currencies, within 5% of the purchase price of such securities; and

for available-for-sale equity or fixed income securities in foreign currencies, within 15% of the purchase price of such securities.

Interest Rate Risk

Interest rate risk from trading activities arises mainly from our trading of Won-denominated debt securities. Our trading strategy is to benefit from short-term movements in the prices of debt securities arising from changes in interest rates. As Woori Bank's trading accounts are marked-to-market daily, Woori Bank manages its interest rate risk related to our trading accounts using market value-based tools such as VaR. See Asset and Liability Management Interest Rate Risk.

Equity Risk

Equity price risk and equity volatility risk result from Woori Bank's equity portfolio, which consists mainly of futures contracts and options and Won-denominated equity securities, as a result of the strict limits we have imposed with respect to VaR and accumulated loss imposed by our Subsidiary Risk Management Committees within the overall limits imposed by the Group Risk Management Committee, stop loss limits set by the heads of the relevant trading departments Woori Bank, and stress test limits. Equity risk arises in the context of trading activities for our own accounts to realize short-term trading profits with respect to equity and trading activities involving certain derivatives transactions.

Foreign Exchange Risk

Foreign exchange risk arises because we have assets, liabilities and off-balance sheet items such as foreign exchange forwards and currency swaps that are denominated in non-Won currencies. The difference between each of our subsidiaries foreign currency assets and liabilities is offset against forward foreign exchange positions to obtain its net foreign currency open position. We then net the positions of our subsidiaries against each other to derive our net exposure. Each of our subsidiaries determines its maximum foreign exchange exposure for both trading and asset and liability management purposes by establishing a limit for this net foreign currency open position. Each Subsidiary Risk Management Committee also establishes VaR limits for the foreign exchange business of its respective subsidiary and exposure limits for the business units of that subsidiary.

Assets and liabilities denominated in U.S. dollars account for the majority of our foreign currency assets and liabilities. Those denominated in Japanese yen and the euro account for most of the remainder, the majority of which have been swapped into U.S. dollars.

Table of Contents

Each of our subsidiaries monitors changes in, and matches of, foreign-currency assets and liabilities in order to reduce exposure to currency fluctuations. Most of our foreign exchange risk arises in connection with the operations of Woori Bank. Our subsidiaries also manage risks relating to exchange rate fluctuations through foreign exchange dealing, including by their overseas branches. However, we conduct foreign exchange dealings primarily on behalf of our customers. Counterparties are restricted to domestic and foreign financial institutions and banks with respect to which our subsidiaries have established a foreign exchange dealing limit. Our subsidiaries deal primarily in the Won/U.S. dollar market and their dealings are subject to what we believe are conservative daily maximum and closing limits and stop loss limits. By way of illustration, the following table sets forth information concerning Woori Bank's limits on proprietary foreign exchange dealings as of December 31, 2013:

	Won/U.S. Dollar Dealing Headquarters		Dealings in other currencies			
	Total	Individual	Total (in millions of US\$)	Individual	Total Overseas Branches	Individual
Open position						
Daily maximum limit	US\$ 1,000	US\$ 200	US\$ 200	US\$ 50	US\$ 60	US\$ 15
Daily closing limit	200	50	100	20	30	6
Stop loss:						
Daily	2	0.5	0.8	0.15	0.24	0.045
Monthly	3	0.8	2	0.5	0.6	0.15

The following table shows the non-consolidated net open positions of Woori Bank at the end of 2011, 2012 and 2013. Positive amounts represent long exposures and negative amounts represent short exposures.

Currency	2011	As of December 31, 2012	2013
	U.S. dollar	US\$ (64.4)	US\$ (36.5)
Japanese yen	7.6	(52.5)	(7.1)
Euro	(13.4)	(19.4)	(14.0)
Others	(25.3)	(16.5)	5.3
Total	US\$ (95.5)	US\$ (125.0)	US\$ (73.6)

Commodity Risk

Commodity risk represents exposures to instruments traded in the metals, petroleum, natural gas and other commodities markets, and arises principally from Woori Bank's trading of U.S. dollar-denominated commodity derivatives. Under applicable Korean laws, Woori Bank may only engage in commodity derivative transactions on behalf of its corporate customers for hedging purposes. Woori Bank manages its commodity risk using VaR, accumulated loss and stress test limits.

Derivatives-Related Market Risk

The Foreign Exchange Transaction Regulations of Korea provide that a foreign exchange bank (such as Woori Bank) may generally enter into derivatives transactions without restriction so long as those transactions are not linked with credit risks of a party to the transaction or any third party. If they are, the bank must report the transaction to the Bank of Korea.

Most of the derivatives products that our subsidiaries trade are on behalf of their customers or to hedge their own positions. Our derivatives activities include interest rate and cross-currency swaps, foreign exchange forwards, stock index and interest rate futures, forward rate agreements and currency and over-the-counter equity options.

Table of Contents

Asset and Liability Management

Our principal market risk with respect to managing our assets and liabilities is interest rate risk. Interest rate risk arises due to mismatches in the maturities or re-pricing periods of rate-sensitive assets and liabilities, such as loans and deposits. Any imbalance of the maturity of our interest rate-sensitive assets and liabilities and the gap resulting from that imbalance may cause net interest income to be affected by changes in the prevailing level of interest rates. Our principal asset and liability management objectives are to generate stable net interest revenues and protect our asset value against interest rate fluctuations.

Woori Bank uses a standardized asset and liability management system for its Won- and foreign currency-denominated assets and liabilities. In addition, Woori Bank's system also allows it to manage the assets and liabilities in its trust accounts. Prior to 2009, this system used roll-over modeling to mitigate the difficulty of predicting maturity with respect to customers' purchases and cash advances and to calculate actual cash flow of customers based on pre-payment, extension of payments, delinquencies, bankruptcies and recoveries. As a part of a system-wide upgrade in 2009, we changed our methodology to determine interest rate VaR from the Hull-White model using Monte-Carlo simulation to the historical scenario method. In 2011, in anticipation of Basel III requirements, we further upgraded our standard asset and liability management system by developing modules to calculate and monitor our net coverage ratio and net stable funding ratio.

Interest Rate Risk

We manage interest rate risk based on rational interest rate forecasts, using gap analysis to measure the difference between interest-sensitive assets and interest-sensitive liabilities, using simulations to calculate the effect of changing interest rates on income. We principally manage this risk by managing maturity and duration gaps between our interest-earning assets and interest-bearing liabilities.

We measure interest rate risk for Won and foreign currency assets and liabilities, including derivatives and principal guaranteed trust accounts. Most of our interest-earning assets and interest-bearing liabilities are denominated in Won and our foreign currency-denominated assets and liabilities are mostly denominated in U.S. dollars. We believe, however, that our interest rate sensitivity is limited with respect to our Won-denominated assets. Deposits in Won generally bear fixed rates of interest for fixed time periods (other than deposits payable on demand which constituted approximately 37.9% of our total deposits in Won, excluding discontinued operations, as of December 31, 2013). We generally adjust the interest rates on these deposits when they are rolled over. In addition, as of December 31, 2013, excluding discontinued operations, 93.3% of those deposits had current maturities of one year or less. As of December 31, 2013, excluding discontinued operations, approximately 59.7% of our Won-denominated loans bore floating rates of interest, and 53.6% of those loans had current maturities of one year or less.

Interest rate gap analysis measures expected changes in net interest revenues by calculating the difference in the amounts of interest-earning assets and interest-bearing liabilities at each maturity and interest resetting date. Woori Bank performs interest rate gap analysis for Won and foreign currency-denominated assets and trust assets on a monthly basis. Woori Bank reports these results to the Group Risk Management Committee on a quarterly basis.

Interest Rate Gap Analysis. For interest rate gap analysis we use or assume the following maturities for different assets and liabilities:

With respect to maturities of assets, for prime rate-linked loans, we apply the actual maturities of each loan; furthermore, we assume the reserves with the Bank of Korea and loans and securities classified as substandard or below to have maximum remaining maturities.

With respect to maturities of liabilities, for demand deposits with no fixed maturities, a portion of the demand deposits are recognized to have maturities of less than three months as calculated in accordance with Financial Services Commission guidelines.

Table of Contents

Our Group Risk Management Committee's interest rate risk limit for Woori Bank generally requires that its earnings at risk be within 10% of its estimated net interest income for a one-year period. We calculate VaR through our group-wide, standardized asset and liability management system, which uses the historical scenario method to simulate the current portfolio's net asset value for a one-year holding period at a 99.9% confidence level.

The following tables show, for Woori Bank, on a non-consolidated basis pursuant to the guidelines of the Financial Supervisory Service, the interest rate gap for Won-denominated accounts and foreign currency-denominated accounts as of December 31, 2013:

	0-3 Months	3-6 Months	As of December 31, 2013			Total
			6-12 Months	1-3 Years	Over 3 Years	
Won-denominated accounts:						
Interest rate-sensitive assets						
Free interest rate	9,111	5,146	8,679	8,675	20,539	52,150
Market interest rate	93,721	23,901	6,959	11,238	8,108	143,927
Interest rate pegged to customer deposit	62	44	97	22	1	226
Total	102,894	29,091	15,735	19,935	28,647	196,303
Interest rate-sensitive liabilities						
Free interest rate	14,277	4,492	6,112	10,001	7,790	42,672
Market interest rate	63,665	14,681	30,181	(1,001)	24,772	132,298
Total	77,942	19,174	36,293	8,999	32,562	174,970
Sensitivity gap	24,952	9,918	(20,557)	10,935	(3,915)	21,332
Cumulative gap	24,952	34,870	14,312	25,248	21,332	21,332
% of total assets⁽¹⁾	11.5%	16.1%	6.6%	11.6%	9.8%	9.8%
Total assets in Won						216,914

	0-3 Months	3-6 Months	As of December 31, 2013			Total
			6-12 Months	1-3 Years	Over 3 Years	
Foreign currency-denominated accounts:						
Interest rate-sensitive assets						
Free interest rate	US\$ 0	US\$ 0	US\$ 0	US\$ 0	US\$ 0	US\$ 0
Market interest rate	12,594	1,858	27,950		113	14,894
Interest rate pegged to customer deposit	0	0	0	0	0	0
Total	US\$ 12,594	US\$ 1,858	US\$ 279	US\$ 50	US\$ 113	US\$ 14,894
Interest rate-sensitive liabilities						
Free interest rate	US\$ 0	US\$ 0	US\$ 0	US\$ 0	US\$ 0	US\$ 0
Market interest rate	5,621	955	987	3,091	2,261	12,915
Total	US\$ 5,621	US\$ 955	US\$ 987	US\$ 3,091	US\$ 2,261	US\$ 12,915
Sensitivity gap	6,973	902	(709)	(3,040)	(2,148)	1,979
Cumulative gap	6,973	7,875	7,167	4,126	1,979	1,979
% of total assets⁽¹⁾	27.4%	30.9%	28.1%	16.2%	7.8%	7.8%

Total assets in US\$

US\$ 25,471

(1) Represents the cumulative gap as a percentage of total assets.

Table of Contents

Duration Gap Analysis. Woori Bank also performs a duration gap analysis to measure and manage its interest rate risk. Duration gap analysis is a more long-term risk indicator than interest rate gap analysis, as interest rate gap analysis focuses only on accounting income and not on the market value of the assets and liabilities. We emphasize duration gap analysis because, in the long run, our principal concern with respect to interest rate fluctuations is the net asset value rather than net interest revenue changes.

For duration gap analysis, we use or assume the same maturities for different assets and liabilities that we use or assume for our interest rate gap analysis.

The following table shows, for Woori Bank, with respect to Won-denominated assets and liabilities, duration gaps and net asset value changes when the interest rate increases by one percentage point as of the specified dates:

Date	Interest-earning asset duration (in years)	Interest-bearing liability duration (in years)	Total asset/liability duration gap (in years)	Net asset value change (in billions of Won)
June 30, 2011	0.43	0.65	(0.17)	328
December 31, 2011	0.60	0.62	0.03	44
June 30, 2012	0.64	0.63	0.07	148
December 31, 2012	0.75	0.62	0.19	409
June 30, 2013	0.83	0.65	0.24	501
December 31, 2013	0.82	0.69	0.18	385

We set interest rate risk limits using the historical simulation method, which uses actual historical price, volatility and yield changes in comparison with the current position to generate hypothetical portfolios and calculate a distribution of position and portfolio market value changes. The following table shows Woori Bank's interest rate VaR with respect to its Won-denominated assets and liabilities for each of the quarters since the fourth quarter of 2012:

	Fourth Quarter 2012	First Quarter 2013	Second Quarter 2013	Third Quarter 2013	Fourth Quarter 2013
	(in billions of Won, except percentages)				
Interest rate VaR	193.4	189.2	290.5	390.4	266.8
Volatility					
Mean reversion					

The Group Risk Management Committee reviews gap analysis reports, duration gap analysis reports and interest rate limit compliance reports prepared by our subsidiary risk management units on a quarterly basis.

Foreign Exchange Risk

We manage foreign exchange rate risk arising in connection with the management of our assets and liabilities together with such risks arising from our trading operations. See [Market Risk Management for Trading Activities Foreign Exchange Risk](#) above.

Liquidity Risk Management

Liquidity risk is the risk of insolvency or loss due to disparity between inflow and outflow of funds such as maturity mismatch, including having to obtain funds at a high price or to dispose of securities at an unfavorable price due to lack of available funds. We manage our liquidity in order to meet our financial liabilities from withdrawals of deposits, redemption of matured debentures and repayments at maturity of borrowed funds. We also require sufficient liquidity to fund loans and extend other forms of credits, as well as to make investments in securities. Each of our Subsidiary Risk Management Committees establishes liquidity policies for its respective subsidiary and monitors liquidity on an on-going basis. Our subsidiaries make constant adjustment to take into account variables affecting their liquidity levels. Our subsidiary risk management units review the uses and sources of funds on a daily basis, taking into consideration the various goals of their respective business units.

Table of Contents

Our liquidity management goal is to be able, even under adverse conditions, to meet all our liability repayments on time and fund all investment opportunities. Since the formation of the holding company structure, neither we nor our subsidiaries have experienced significant liquidity risk.

We maintain diverse sources of liquidity to facilitate flexibility in meeting our funding requirements. We fund our operations principally by accepting deposits from retail and corporate depositors, accessing the call loan market (a short-term market for loans with maturities of less than one month), issuing debentures and borrowing from the Bank of Korea. We use the majority of funds raised by us to extend loans or purchase securities. Generally, deposits are of shorter average maturity than loans or investments.

In managing liquidity risk, each of our subsidiaries currently determines gap limits, implements those limits and monitors maturity gaps using its asset and liability management system. We also establish group-wide gap limits for liquidity management purposes. Each subsidiary has set a total limit in order to manage liquidity risk. For example, Woori Bank's three-month accumulated gap limits for banking and trust accounts are between (10)% and 10%. In the foreign currency account, the limit for a one-week gap has been set as (3)% or higher and as (10)% or higher for a one-month gap.

Liquidity is maintained by holding sufficient quantities of assets that can be liquidated to meet actual or potential demands for funds from depositors and others. Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds we believe we can raise by issuing securities when required. We seek to minimize our liquidity costs by managing our liquidity position on a daily basis and by limiting the amount of cash at any time that is not invested in interest-earning assets or securities.

The Financial Services Commission requires each Korean bank to maintain a Won liquidity ratio of not less than 100% (deemed an advisory ratio) and to make monthly reports to the Financial Services Commission. The Won liquidity ratio is calculated by dividing certain Won-denominated financial assets and the net settlement amount related to derivative contracts that have one month or less to maturity, which are referred to as Won Current Assets, and certain Won-denominated liabilities and the net settlement amount related to derivatives contracts that have one month or less to maturity, which are referred to as Won Current Liabilities.

The definition of Won Current Assets reflects the following:

the inclusion of reserve deposits with the Bank of Korea, negotiable certificates of deposit and call loans;

the inclusion of marketable securities at market value;

the exclusion of securities restricted for sale and securities offered as collateral;

the exclusion of assets classified as substandard or below based on the Financial Service Commission's asset classification criteria; and

the exclusion of fixed assets and other assets which cannot be converted into cash within a short period of time.

The maturity of assets is measured based on the actual maturity date or the date when the principal is unconditionally due according to the terms and conditions of the relevant contract.

The definition of Won Current Liabilities reflects the following:

the adjustment of demand deposits by the annual average balance and an explicitly defined standard deviation;

the inclusion of checks issued by other banks similar to deposits;

the inclusion of borrowings from the Bank of Korea;

the exclusion of provisional liabilities; and

Table of Contents

the exclusion of borrowings from trust accounts.

The maturity of borrowings and debentures with put options is measured based on the put date.

The following table shows the liquidity status and limits for Won accounts of Woori Bank on a non-consolidated basis as of December 31, 2013 in accordance with Financial Services Commission regulations:

	1 month or less (in billions of Won, except percentages)
Won Current Assets (A)	59,031
Cash and deposits	9,343
Securities	23,833
Loans	16,570
Other assets	5,359
Off-balance sheet derivatives	3,927
Won Current Liabilities (B)	48,887
Deposits	26,632
Borrowings	5,146
Debentures	410
Other liabilities	11,786
Off-balance sheet derivatives	4,913
Liquidity Gap	10,144
Won Liquidity Ratio (A/B)	120.7%
Limit	100%

The following table shows the liquidity status, on a cumulative basis, and limits for foreign currency accounts of Woori Bank on a non-consolidated basis as of December 31, 2013 in accordance with the Bank of Korea's regulations:

	7 days or less	7 days 1 month (in millions of US\$)	1- 3 months
Foreign currency accounts:			
Foreign currency assets	US\$ 12,035	US\$ 8,419	US\$ 8,709
Foreign currency liabilities	9,854	6,795	6,521
Maturity gap	2,181	1,624	2,188
Cumulative gap (A)	2,181	3,804	5,992
Total assets (B)	51,402	51,402	51,402
Liquidity gap ratio (A/B)	4.24%	7.40%	125.9% ⁽¹⁾
Limits	(3)%	(10)%	85%

(1) Liquidity ratio, calculated as foreign currency assets as a percentage of foreign currency liabilities.

Our Subsidiary Risk Management Committees receive reports from our subsidiaries regarding their respective liquidity ratios and liquidity gap ratios on a monthly basis. Based on those reports, each subsidiary's risk management department reports these results to the Group Risk Management Committee on a quarterly basis.

Operational and Business Risk Management

Operational risk is difficult to quantify and subject to different definitions. We define our operational risk as the risk related to the overall management of the group other than credit risk, market risk, interest rate risk and liquidity risk. These include risks arising from system failure, human error or non-adherence to systems and procedures, or from fraud or inadequate internal controls and procedures, resulting in financial loss.

To monitor and control operational risks, we maintain a system of comprehensive policies and have put in place a control framework designed to provide a stable and well-managed operational environment throughout

Table of Contents

our organization. Several bodies are responsible for managing our operational risk, including our Audit Council (which reports to our group-level Audit Committee), our group-level legal and compliance department and the Subsidiary Risk Management Committees and their respective risk management units. In particular, our group-level Audit Committee monitors our subsidiaries' compliance with our internal policies and guidelines relating to the issuance of credit and ongoing review of a borrower's ability to meet its obligations. We have established group-wide internal guidelines with respect to our subsidiaries' audit reporting requirements. Our subsidiaries review their operations and their level of compliance with our risk management policies and guidelines on an annual basis. As part of this process, they report any problems discovered and any remedial actions taken to our group-level Audit Committee. Based on the results of these reports, or on an ad hoc basis in response to any problem or potential problem that it identifies, the Audit Committee may direct a subsidiary to conduct an audit of its operations or, if it chooses to do so, conduct its own audit of those operations. The Audit Committee and the Audit Council interact on a regular basis with our legal and compliance department and our risk management department.

We consider legal and business risk as a part of our operational risk. The uncertainty of the enforceability of the obligations of our customers and counterparties, including foreclosure on collateral, creates legal risk. Business risk includes the risk of changes in laws and regulations, which could also adversely affect us. Legal and business risk is higher in new areas of business where the law is often untested in the courts although such risk can also increase in our traditional business to the extent that the legal and regulatory landscape in Korea is changing and many new laws and regulations governing the banking industry remain untested. Our subsidiaries' legal departments seek to minimize legal and business risk by using stringent legal documentation, employing procedures designed to ensure that transactions are properly authorized and consulting legal advisers. Each of our subsidiaries' internal auditors also review loan documentation to ensure that these are correctly drawn up to withstand scrutiny in court should such scrutiny occur.

In connection with our disaster recovery capabilities, we are in the process of meeting the guidelines suggested by the Financial Services Commission. These generally require that our disaster and recovery capabilities enable us to recover data and resume operations within three hours with respect to our banking and securities subsidiaries.

The majority of our information technology systems are operated by our subsidiary, Woori FIS. We currently have a mirror site in operation with respect to Woori Bank which backs up transaction information on a real-time basis. We also have a back-up site in operation with respect to Woori Bank, which backs up transaction information on a daily basis. See Item 3D. Risk Factors Other risks relating to our business We may experience disruptions, delays and other difficulties from our information technology systems.

Table of Contents**Item 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES****Fees and Charges**

Under the terms of the deposit agreement, as a holder of our ADSs, you are required to pay the following service fees to the depository:

Services	Fees
Issuance of ADSs	Up to \$0.05 per ADS issued
Cancellation of ADSs	Up to \$0.05 per ADS canceled
Distribution of cash dividends or ADSs pursuant to stock dividends	Up to \$0.02 per ADS held
Distribution of cash proceeds or free shares in the form of ADSs	Up to \$0.02 per ADS held
Distribution of securities other than ADSs or rights to purchase additional ADSs	Up to \$0.05 per securities distributed
Depository Services	Up to \$0.02 per ADS held as of the last day of each calendar year, except to the extent any cash dividend fee is charged (as described above) during the applicable calendar year
Distribution of ADSs pursuant to exercise of rights to purchase additional ADSs	Up to \$0.02 per ADS held

As a holder of our ADSs, you are also responsible for paying certain fees and expenses incurred by the depository and certain taxes and governmental charges such as:

Fees for the transfer and registration of shares charged by the registrar and transfer agent for the shares in Korea (*i.e.*, upon deposit and withdrawal of shares).

Expenses incurred for converting foreign currency into U.S. dollars.

Expenses for cable, telex and fax transmissions and for delivery of securities.

Taxes and duties upon the transfer of securities (*i.e.*, when shares are deposited or withdrawn from deposit).

Fees and expenses incurred in connection with the delivery or servicing of shares on deposit.

Depository fees payable upon the issuance and cancellation of ADSs are typically paid to the depository by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depository and by the brokers (on behalf of their clients) delivering the ADSs to the depository for cancellation. The brokers in turn charge these fees to their clients. Depository fees payable in connection with distributions of cash or securities to ADS holders and the depository services fee are charged by the depository to the holders of record of ADSs as of the applicable ADS record date.

The depository fees payable for cash distributions are generally deducted from the cash being distributed. In the case of distributions other than cash (*i.e.*, stock dividend, rights), the depository charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depository sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via the Depository Trust Company, or DTC), the depository generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depository.

Table of Contents

In the event of refusal to pay the depositary fees, the depositary may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to such holder of ADSs.

Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. You will receive prior notice of such changes.

Fees and Payments from the Depositary to Us

In 2013, pursuant to an agreement with us, the depositary waived, or made payments to third parties of, approximately \$15,116 (net of applicable taxes) in the aggregate in connection with proxy process expenses (including printing, postage and distribution expenses), contributions towards investor relations efforts (including investor relations agency fees) and other standard out-of-pocket maintenance costs relating to our American depositary receipt, or ADR, facility that were payable by us.

In addition, as part of its service to us, the depositary waives its fees for the standard costs and operating expenses associated with the administration of the ADR facility.

Item 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not Applicable

Item 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not Applicable

Item 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We have evaluated, with the participation of our chief executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2013. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our chief executive officer and principal financial officer concluded that our disclosure controls and procedures as of December 31, 2013 were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our chief executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements in accordance with IFRS as issued by the IASB. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Table of Contents

Our management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management's authorization, assets are safeguarded, and financial records are reliable. Our management also takes steps to ensure that information and communication flows are effective and to monitor performance, including performance of internal control procedures.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2013 based on the criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, management believes that, as of December 31, 2013, our internal control over financial reporting is effective.

The effectiveness of our internal control over financial reporting as of December 31, 2013 has been audited by Deloitte Anjin LLC, an independent registered public accounting firm, as stated in its report included herein which expressed an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2013.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16. RESERVED**Item 16A. Audit Committee Financial Expert**

Our board of directors has determined that each of Hee-Yul Chai and Min Chang, our non-executive directors and members of our Audit Committee, qualifies as an audit committee financial expert and is independent within the meaning of this Item 16A.

Item 16B. Code of Ethics

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Exchange Act. Our code of ethics applies to our chief executive officer, principal financial officer and persons performing similar functions as well as to our outside directors and other officers and employees. Our code of ethics is available on our website at <http://www.woorifg.com>. If we amend the provisions of our code of ethics that apply to our chief executive officer and principal financial officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address.

Item 16C. Principal Accountant Fees and Services

The following table sets forth the fees billed to us by our independent registered public accountants, Deloitte Anjin LLC, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, "Deloitte"), during the fiscal years ended December 31, 2012 and 2013:

	Year ended December 31,	
	2012	2013
	(in millions of Won)	
Audit fees	5,841	6,218
Audit-related fees	219	290
Tax fees	282	343
All other fees	64	27
Total fees	6,406	6,878

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

Audit fees in the above table are the aggregate fees billed or expected to be billed by Deloitte in connection with the audit of our annual financial statements, the review of our interim financial statements, the review of filings with the U.S. Securities and Exchange Commission and audit of the effectiveness of our internal control over financial reporting.

Table of Contents

Audit-related fees in the above table are the aggregate fees billed or expected to be billed by Deloitte for agreed upon procedures related to the issuance of comfort letters in connection with the issuance of debt securities.

Tax fees in the above table are fees billed or expected to be billed by Deloitte for assistance in the preparation of certain tax returns and other tax advice.

Audit Committee Pre-Approval Policies and Procedures

Our Audit Committee pre-approves the engagement of our independent auditors for audit services with respect to our financial statements prepared in accordance with IFRS as issued by the IASB. Our Audit Committee has implemented a policy regarding pre-approval of certain other services provided by our independent auditors that the Audit Committee has deemed as not affecting their independence. Under this policy, our Audit Committee may grant pre-approvals for the following services: (i) services related to the audit of our financial statements prepared in accordance with IFRS as adopted by Korea and our internal controls under Korean laws and regulations; (ii) general tax advisory services; and (iii) service contracts required to be entered into with us under applicable laws and regulations or pursuant to requests from relevant governmental agencies.

Any other audit or permitted non-audit service must be pre-approved by the audit committee on a case-by-case basis. In the event that immediate approval is necessitated by the circumstances, the chairman of our Audit Committee or a member of the Audit Committee designated by such chairman may pre-approve the relevant service, subject to a subsequent report of such pre-approval being made to the Audit Committee.

Our Audit Committee did not pre-approve any non-audit services under the *de minimis* exception of Rule 2-01(c)(7)(i)(C) of Regulation S-X as promulgated by the U.S. Securities and Exchange Commission.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Under the listed company audit committee rules of the New York Stock Exchange and the U.S. Securities and Exchange Commission, we must comply with Rule 10A-3 under the Exchange Act, which requires that we establish an audit committee composed of members of the board of directors that meets specified requirements. In reliance on the exemption in Rule 10A-3(b)(iv)(E), we have designated one member to our audit committee, Seong-Yeal Lim, who is an employee of the KDIC. The KDIC, which is controlled by the Korean government, is our controlling shareholder and, therefore, one of our affiliates. In our assessment, Mr. Lim acts independently in performing the responsibilities of an Audit Committee member under the Sarbanes-Oxley Act of 2002 and satisfies the other requirements of Rule 10A-3 under the Exchange Act.

Item 16E. Purchase of Equity Securities by the Issuer and Affiliated Purchasers

Neither we nor any affiliated purchaser, as defined in Rule 10b-18(a)(3) of the Exchange Act, purchased any of our equity securities during the period covered by this annual report.

Item 16F. Change in Registrant's Certifying Accountant Not Applicable

Table of Contents

Item 16G. Corporate Governance

Differences in Corporate Governance Practices

Pursuant to the rules of the New York Stock Exchange applicable to foreign private issuers like us that are listed on the New York Stock Exchange, we are required to disclose significant differences between the New York Stock Exchange’s corporate governance standards and those that we follow under Korean law. The following is a summary of such significant differences.

NYSE Corporate Governance Standards

Director independence

Listed companies must have a majority of independent directors.

Executive Session

Non-management directors must meet in regularly scheduled executive sessions without management. Independent directors should meet alone in an executive session at least once a year.

Nomination/Corporate Governance Committee

A nomination/corporate governance committee of independent directors is required. The committee must have a charter that addresses the purpose, responsibilities (including development of corporate governance guidelines) and annual performance evaluation of the committee.

Compensation Committee

A compensation committee of independent directors is required. The committee must have a charter that addresses the purpose, responsibilities and annual performance evaluation of the committee. The charter must be made available on the company’s website. In addition, in accordance with the SEC rules adopted pursuant to Section 952 of the Dodd-Frank Act, NYSE listing standards were amended to expand the factors relevant in determining whether a committee member has a relationship to the company that will materially affect that member’s duties to the compensation committee.

Additionally, the committee may obtain or retain the advice of a compensation adviser only after taking into consideration all factors relevant to determining that adviser’s independence from management.

Woori Finance Holdings

The majority of our board of directors is independent (as defined in accordance with the New York Stock Exchange’s standards), as six of our seven directors are outside directors.

Our outside directors hold quarterly meetings, which coincide with the quarterly Audit Committee meetings, to discuss matters relating to management issues. The Audit Committee is comprised of six outside directors.

We have established a separate Outside Directors Recommendation Committee.

We maintain a Business Development and Compensation Committee composed of four outside directors.

Table of Contents

Audit Committee

Listed companies must have an audit committee that satisfies the independence and other requirements of Rule 10A-3 under the Exchange Act. All members must be independent. The committee must have a charter addressing the committee's purpose, an annual performance evaluation of the committee, and the duties and responsibilities of the committee. The charter must be made available on the company's website.

We maintain an Audit Committee comprised of six outside directors. Accordingly, we are in compliance with Rule 10A-3 under the Exchange Act.

Audit Committee Additional Requirements

Listed companies must have an audit committee that is composed of at least three directors.

Our Audit Committee has six members, as described above.

Shareholder Approval of Equity Compensation Plan

Listed companies must allow its shareholders to exercise their voting rights with respect to any material revision to the company's equity compensation plan.

We currently have one equity compensation plan, providing for the grant of stock options to officers and directors.

All material matters related to the granting of stock options are provided in our articles of incorporation, and any amendments to the articles of incorporation are subject to shareholders' approval.

Corporate Governance Guidelines

Listed companies must adopt and disclose corporate governance guidelines.

We have adopted a corporate governance charter, a Korean-language copy of which is available on our website.

Code of Business Conduct and Ethics

Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.

We have adopted a Code of Ethics and Business Conduct for Employees, a copy of which is available on our website.

Item 16H. *Mine Safety Disclosure*
Not Applicable

Item 17. FINANCIAL STATEMENTS
Not Applicable

Item 18. FINANCIAL STATEMENTS
 Reference is made to Item 19(a) for a list of all financial statements filed as part of this annual report.

Table of Contents**Item 19. EXHIBITS**

(a) List of financial statements:

	Page
Audited consolidated financial statements of Woori Finance Holdings and subsidiaries prepared in accordance with IFRS as issued by the IASB	
<u>Report of Independent Registered Public Accounting Firm</u>	F-1
<u>Consolidated Statements of Financial Position as of January 1, 2012 and December 31, 2012 and 2013</u>	F-3
<u>Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2011, 2012 and 2013</u>	F-4
<u>Consolidated Statements of Changes in Equity for the Years Ended December 31, 2011, 2012 and 2013</u>	F-5
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2011, 2012 and 2013</u>	F-7
<u>Notes to the Consolidated Financial Statements for the Years Ended December 31, 2012 and 2013</u>	F-9
(b) Exhibits	

Pursuant to the rules and regulations of the U.S. Securities and Exchange Commission, Woori Finance Holdings has filed certain agreements as exhibits to this Annual Report on Form 20-F. These agreements may contain representations and warranties made by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may be intended not as statements of fact, but rather as a way of allocating the risk to one of the parties to such agreements if those statements turn out to be inaccurate, (ii) may have been qualified by disclosures that were made to such other party or parties and that either have been reflected in the company's filings or are not required to be disclosed in those filings, (iii) may apply materiality standards different from what may be viewed as material to investors and (iv) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments. Accordingly, these representations and warranties may not describe Woori Finance Holdings' actual state of affairs at the date of this annual report.

Number	Description
1.1	Articles of Incorporation of Woori Finance Holdings (translation in English).
2.1*	Form of Stock Certificate of Woori Finance Holdings - common stock, par value - 5,000 per share (translation in English).
2.2**	Form of Deposit Agreement among Woori Finance Holdings, Citibank, N.A., as depositary, and all holders and beneficial owners of American depositary shares evidenced by American depositary receipts, including the form of American depositary receipt.
4.1*	Memorandum of understanding between the KDIC and Woori Finance Holdings dated July 2, 2001, as amended.
4.2*	Memorandum of understanding between the KDIC and Hanvit Bank (since renamed Woori Bank) dated December 30, 2000, as amended.
4.3*	Memorandum of understanding between the KDIC and Kyongnam Bank dated December 30, 2000, as amended.
4.4*	Memorandum of understanding between the KDIC and Kwangju Bank dated December 30, 2000, as amended.
4.5*	Memorandum of understanding between Woori Finance Holdings and Hanvit Bank (since renamed Woori Bank) dated July 12, 2001, as amended.
4.5*	Memorandum of understanding between Woori Finance Holdings and Kyongnam Bank dated July 31, 2001, as amended.

Table of Contents

Number	Description
4.5*	Memorandum of understanding between Woori Finance Holdings and Kwangju Bank dated July 31, 2001, as amended.
8.1***	List of subsidiaries of Woori Finance Holdings.
11.1****	Code of Ethics.
12.1	Section 302 certifications.
13.1	Section 906 certifications.

* Incorporated by reference to the exhibits to the Registration Statement on Form 20-F (File No. 001-31811), filed on September 25, 2003.

** Incorporated by reference to exhibit (a) to the Registration Statement on Form F-6 (File No. 333-109106), filed on September 25, 2003.

*** Incorporated by reference to Note 1 of the notes to the consolidated financial statements of the registrant included in this Annual Report.

**** Incorporated by reference to exhibits to the Annual Report on Form 20-F (File No. 001-31811), filed on June 30, 2004.

Table of Contents

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

WOORI FINANCE HOLDINGS Co., LTD.

(Registrant)

/s/ Soon-Woo Lee
(Signature)

Soon-Woo Lee
Chairman and Chief Executive Officer
(Name/Title)

Date: April 30, 2014

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Woori Finance Holdings Co., Ltd.:

We have audited the internal control over financial reporting of Woori Finance Holdings Co., Ltd. and subsidiaries (the Group) as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Group's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2013 of the Group and our report dated April 30, 2014 expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph related to the adoption of IFRS 10, *Consolidated Financial Statements*, and the translation of financial statement amounts into United States dollars for the convenience of readers in the United States of America.

/s/ DELOITTE ANJIN LLC

Seoul, Korea

April 30, 2014

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Woori Finance Holdings Co., Ltd.:

We have audited the accompanying consolidated statements of the financial position of Woori Finance Holdings Co., Ltd. and subsidiaries (the Group) as of December 31, 2012 and 2013 and the related consolidated statements of comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2013 (all expressed in Korean Won). These financial statements are the responsibility of the Group s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Woori Finance Holdings Co., Ltd. and subsidiaries as of December 31, 2012 and 2013 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

As discussed in Note 2 to the consolidated financial statements, the Group adopted IFRS 10 *Consolidated Financial Statements*. The Group adopted IFRS 10 retrospectively and restated the Group s comparative consolidated financial statements as of and for the year ended December 31, 2012 in accordance with the transition provisions of the standard.

Our audits also comprehended the translation of Korean Won amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group s internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 30, 2014, expressed an unqualified opinion on the Group s internal control over financial reporting.

/s/ DELOITTE ANJIN LLC

Seoul, Korea

April 30, 2014

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AS OF JANUARY 1, 2012 AND DECEMBER 31, 2012 AND 2013**

	January 1, 2012	Korean Won December 31, 2012 (in millions)	December 31, 2013	U.S. Dollars December 31, 2013 (in thousands)
ASSETS				
Cash and cash equivalents	6,417,964	5,778,390	5,477,649	5,190,609
Financial assets at fair value through profit or loss (Notes 4,6,7,11,17 and 25)	26,844,973	27,352,216	4,806,197	4,554,342
Available-for-sale financial assets (Notes 4,8,11,17 and 45)	19,698,348	18,888,923	17,085,448	16,190,133
Held-to-maturity financial assets (Notes 4,9,11 and 17)	20,036,128	18,684,801	12,038,820	11,407,960
Loans and receivables (Notes 4,6,10,11,17,31,44 and 45)	235,317,520	250,275,551	211,912,373	200,807,707
Investments in joint ventures and associates (Note 12)	928,233	1,037,930	617,570	585,208
Investment properties (Note 13)	498,999	491,685	340,620	322,771
Premises and equipment (Notes 14 and 17)	3,134,472	3,185,543	2,536,441	2,403,526
Intangible assets and goodwill (Note 15)	447,891	433,407	268,926	254,834
Assets held for sale (Note 16)	56,243	83,347	587	557
Current tax assets (Note 41)	57,512	38,667	143,101	135,603
Deferred tax assets (Note 41)	79,505	155,439	155,256	147,120
Derivative assets (Notes 4,11 and 25)	326,840	281,069	131,410	124,524
Other assets (Notes 18 and 45)	377,062	414,846	178,886	169,510
Disposal group held for sale (Note 46)			34,684,805	32,867,246
Disposal group held for distribution to owners (Note 47)			50,312,293	47,675,821
Total assets	314,221,690	327,101,814	340,690,382	322,837,471
LIABILITIES				
Financial liabilities at fair value through profit or loss (Notes 4,11,19 and 25)	9,621,546	10,985,765	2,507,248	2,375,862
Deposits due to customers (Notes 4,11,20 and 45)	197,378,565	204,209,580	175,323,644	166,136,306
Borrowings (Notes 4,11 and 21)	34,667,740	33,479,716	18,231,511	17,276,141
Debentures (Notes 4,11 and 21)	29,265,833	27,959,969	21,677,674	20,541,717
Provisions (Notes 22,43 and 45)	892,308	863,658	684,799	648,914
Net defined benefit liability (Note 23)	119,704	166,296	71,602	67,850
Current tax liabilities (Note 41)	274,257	178,791	9,980	9,457
Deferred tax liabilities (Note 41)	270,033	134,481	49,105	46,532
Derivative liabilities (Notes 4,11 and 25)	33,493	38,000	1,785	1,691
Other financial liabilities (Notes 4,11,24,44 and 45)	19,023,665	25,544,410	19,914,947	18,871,361
Other liabilities (Notes 24 and 45)	570,038	508,072	411,278	389,727
Liabilities directly associated with disposal group held for sale (Note 46)			32,047,626	30,368,261
Liabilities directly associated with disposal group held for distribution to owners (Note 47)			46,882,414	44,425,674
Total liabilities	292,117,182	304,068,738	317,813,613	301,159,493
EQUITY				
Owners' equity:	17,555,085	18,695,919	17,847,633	16,912,379
Capital stock (Note 27)	4,030,077	4,030,077	4,030,077	3,818,892
Hybrid securities (Note 28)	309,010	498,407	498,407	472,289
Capital surplus (Note 27)	175,768	174,044	176,502	167,253
Other equity (Note 29)	563,074	112,013	(35,367)	(33,514)

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

Retained earnings (Notes 30 and 31)	12,477,156	13,881,378	13,112,690	12,425,557
Equity directly associated with disposal group held for sale (Note 29)			29,820	28,258
Equity directly associated with disposal group held for distribution to owners (Note 29)			35,504	33,644
Non-controlling interests	4,549,423	4,337,157	5,029,136	4,765,599
Total equity	22,104,508	23,033,076	22,876,769	21,677,978
Total liabilities and equity	314,221,690	327,101,814	340,690,382	322,837,471

See accompanying notes to consolidated financial statements.

F-3

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****FOR THE YEARS ENDED DECEMBER 31, 2011, 2012 AND 2013**

	2011 (Restated) (in millions, except per share data)	Korean Won 2012 (Restated) (in millions, except per share data)	2013	U.S. Dollars 2013 (in thousands, except per share data) (Note 2)
Interest income	11,095,303	10,891,241	9,493,383	8,995,908
Interest expense	(6,206,277)	(6,043,341)	(5,001,361)	(4,739,279)
Net interest income (Notes 33 and 45)	4,889,026	4,847,900	4,492,022	4,256,629
Fees and commissions income	1,625,329	1,686,885	1,565,224	1,483,202
Fees and commissions expense	(443,710)	(497,535)	(638,723)	(605,252)
Net fees and commissions income (Notes 34 and 45)	1,181,619	1,189,350	926,501	877,950
Dividend income (Note 35)	143,364	101,063	87,641	83,048
Net gain (loss) on financial instruments at fair value through profit or loss (Note 36)	136,637	(364,894)	123,900	117,407
Net gain (loss) on available-for-sale financial assets (Note 37)	1,026,933	533,148	(85,242)	(80,775)
Impairment loss due to credit loss (Notes 38 and 45)	(1,922,581)	(1,799,029)	(2,277,260)	(2,157,926)
Other net operating expenses (Notes 39 and 45)	(3,162,940)	(2,958,031)	(3,027,995)	(2,869,322)
Operating income	2,292,058	1,549,507	239,567	227,011
Share of profits (loss) of joint ventures and associates (Note 12)	(39,861)	44,515	(1,277)	(1,211)
Other non-operating income (Note 40)	89,649	43,898	49,377	46,787
Non-operating income	49,788	88,413	48,100	45,576
Net income before income tax expense	2,341,846	1,637,920	287,667	272,587
Income tax expense (Note 41)	(559,011)	(356,840)	(35,096)	(33,257)
Net income from continuing operations	1,782,835	1,281,080	252,571	239,330
Net income (loss) from discontinued operations (Notes 46 and 47)	668,480	566,599	(966,006)	(915,386)
Net income (loss)	2,451,315	1,847,679	(713,435)	(676,056)
Remeasurement of the net defined benefit liability	(18,035)	(51,297)	9,217	8,734
Items that will not be reclassified to profit or loss	(18,035)	(51,297)	9,217	8,734
Loss on available-for-sale financial assets	(374,877)	(349,481)	(50,953)	(48,282)
Share of other comprehensive income (loss) of joint ventures and associates	(37,602)	56,855	(6,375)	(6,041)
Loss on foreign currency translation of foreign operations	24,591	(107,509)	(59,824)	(56,690)
Gain (loss) on valuation of cash flow hedge	2,514	13,091	(2,412)	(2,285)
Items that may be reclassified to profit or loss	(385,374)	(387,044)	(119,564)	(113,298)
Other comprehensive loss, net of tax	(403,409)	(438,341)	(110,347)	(104,564)
Total comprehensive income (loss)	2,047,906	1,409,338	(823,782)	(780,620)

Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 20-F

Net income (loss) attributable to:

Net income (loss) attributable to owners	2,153,826	1,633,341	(537,688)	(509,515)
Income from continuing operations	1,635,393	1,164,431	162,011	153,804
Income (loss) from discontinued operations	518,433	468,910	(699,699)	(663,319)
Net income (loss) attributable to non-controlling interests	297,489	214,338	(175,747)	(166,541)
Income from continuing operations	147,441	116,649	90,560	85,528
Income (loss) from discontinued operations	150,048	97,689	(266,307)	(252,069)

Total comprehensive income (loss) attributable to:

Comprehensive income (loss) attributable to owners	1,729,659	1,176,805	(623,695)	(591,012)
Comprehensive income (loss) attributable to non-controlling interests	318,248	232,533	(200,087)	(189,608)

Basic and diluted earnings (loss) from continuing and

discontinued operations per share (Note 42) **2,670** **1,993** **(704)** **(0.67)**

Basic and diluted earnings from continuing operations per share

(Note 42) **2,027** **1,411** **165** **0.16**

See accompanying notes to consolidated financial statements.

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY****FOR THE YEARS ENDED DECEMBER 31, 2011, 2012 AND 2013**

	Capital stock	Hybrid securities	Capital surplus	Other equity (Korean Won in millions)	Retained earnings	Owner s equity	Non- controlling interests	Total equity
January 1, 2011 (Reported)	4,030,077		180,105	1,002,019	10,489,339	15,701,540	4,563,214	20,264,754
Effect from the application of the amendment of IAS 19				(6,231)	6,231			
January 1, 2011 (Restated)	4,030,077		180,105	995,788	10,495,570	15,701,540	4,563,214	20,264,754
Net income					2,153,826	2,153,826	297,489	2,451,315
Dividends					(201,503)	(201,503)	(36,687)	(238,190)
Paid in capital stock			(4,632)			(4,632)	355,418	350,786
Changes in equities of consolidated subsidiaries			295			295	(217)	78
Valuation of available-for-sale financial asset				(403,737)		(403,737)	28,860	(374,877)
Changes in equity of joint ventures and associates				(20,030)		(20,030)	(17,572)	(37,602)
Foreign currency translation				13,449		13,449	11,142	24,591
Cash flow hedge				3,149		3,149	(635)	2,514
Remeasurement of the net defined benefit liability				(16,998)		(16,998)	(1,037)	(18,035)
Changes in other equity				(8,428)		(8,428)	(16,340)	(24,768)
Changes in equity of non-controlling interests							22,292	22,292
Dividends to hybrid securities					(1,942)	(1,942)	(156,532)	(158,474)
Issuance of hybrid securities		309,010				309,010		309,010
Repayment of hybrid securities				(1)		(1)	(499,999)	(500,000)
December 31, 2011	4,030,077	309,010	175,768	563,192	12,445,951	17,523,998	4,549,396	22,073,394
January 1, 2012 (Reported)	4,030,077	309,010	175,768	563,192	12,445,951	17,523,998	4,549,396	22,073,394
Effect from the adoption of IFRS 10				(118)	31,205	31,087	27	31,114
January 1, 2012 (Restated)	4,030,077	309,010	175,768	563,074	12,477,156	17,555,085	4,549,423	22,104,508
Net income					1,633,341	1,633,341	214,338	1,847,679
Dividends					(201,503)	(201,503)	(40,842)	(242,345)
Changes in equities of consolidated subsidiaries			(1,724)			(1,724)	(220)	(1,944)
Valuation of available-for-sale financial assets				(334,185)		(334,185)	(15,296)	(349,481)
Changes in equity of joint ventures and associates				7,188		7,188	49,667	56,855
Foreign currency translation of foreign operations				(81,805)		(81,805)	(25,704)	(107,509)
Cash flow hedge				4,357		4,357	8,734	13,091
Remeasurement of the net defined benefit liability				(52,093)		(52,093)	796	(51,297)
Changes in other equity				5,197		5,197	3,105	8,302
Amortization of subsidiaries stock discount				280	(280)			
Changes in non-controlling interests							(271,837)	(271,837)
Dividends to hybrid securities					(27,336)	(27,336)	(135,007)	(162,343)
Issuance of hybrid securities		189,397				189,397		189,397
December 31, 2012	4,030,077	498,407	174,044	112,013	13,881,378	18,695,919	4,337,157	23,033,076

See accompanying notes to consolidated financial statements.

F-5

Table of Contents

WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011, 2012 AND 2013

	Capital stock	Hybrid securities	Capital surplus	Other Equity	Retained earnings	Equity directly associated directly with associated disposal with group disposal held group for held distribution for to sale owners	Owner s equity	Non- controlling interests	Total equity
	(Korean Won in millions)								
January 1, 2013	4,030,077	498,407	174,044	112,013	13,881,378		18,695,919	4,337,157	23,033,076
Net loss					(537,688)		(537,688)	(175,747)	(713,435)
Dividends					(201,503)		(201,503)	(21,319)	(222,822)
Changes in equities of consolidated subsidiaries			(259)				(259)	(280)	(539)
Changes in investments in consolidated subsidiaries									