IMPORTANT NOTICE

THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS OUTSIDE THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the "Offering Circular"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES DESCRIBED HEREIN MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA (THE "FSCMA"). ACCORDINGLY, THE SECURITIES MAY NOT BE OFFERED, SOLD, DELIVERED OR TRANSFERRED, DIRECTLY OR INDIRECTLY, IN THE REPUBLIC OF KOREA ("KOREA") OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA (AS SUCH TERM IS DEFINED UNDER THE FOREIGN EXCHANGE TRANSACTION ACT OF KOREA AND ITS ENFORCEMENT DECREE), FOR A PERIOD OF ONE YEAR FROM THE DATE OF ISSUANCE OF THE SECURITIES, EXCEPT (I) WHERE RELEVANT REQUIREMENTS ARE SATISFIED, THE SECURITIES MAY BE OFFERED, SOLD, DELIVERED OR TRANSFERRED, TO OR FOR THE ACCOUNT OR BENEFIT OF A KOREAN RESIDENT WHICH FALLS WITHIN CERTAIN CATEGORIES OF QUALIFIED INSTITUTIONAL INVESTORS AS SPECIFIED IN THE FSCMA, ITS ENFORCEMENT DECREE AND THE REGULATION ON SECURITIES ISSUANCE AND DISCLOSURE, OR (II) AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE FINAL TERMS AND CONDITIONS OF THE RELEVANT SECURITIES SET FORTH IN THE OFFERING CIRCULAR. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities described herein, investors must not be located in the United States or be a non-U.S. person (within the meaning of Regulation S under the Securities Act). The Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to the Managers (as described below) that you and any customers you represent are a non-U.S. person and that the electronic mail address that you gave the Issuer and to which this e-mail has been delivered is not located in the United States, its territories or possessions and that you consent to delivery of such Offering Circular by electronic transmission.

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

The materials relating to the issue of the securities described herein do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Managers, nor any person who controls any of them nor any of their respective directors, officers, employees, agents or affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Managers.

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

OFFERING CIRCULAR **STRICTLY CONFIDENTIAL**

Woori Card Co., Ltd.

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

US$200,000,000 1.750% Senior Unsecured Notes due March 23, 2026

The US$200,000,000 1.750% Unsecured Notes due March 23, 2026 (the "Notes") of Woori Card Co., Ltd. (the "Company" or "Woori Card") will mature on March 23, 2026. The Notes will bear interest at the rate of 1.750% per annum from, and including, March 23, 2021 (the "Issue Date" or the "Closing Date") to, but excluding, March 23, 2026. Interest will be payable in arrears on March 23 and September 23 of each year, commencing on September 23, 2021. The Issuer may, at the Issuer's option, redeem all, but not some only, of the Notes at any time at their principal amount plus accrued interest in the event of certain changes in tax law as described under "Terms and Conditions of the Notes — Optional Redemption Due to Changes in Tax Treatment."

The Notes will be unsecured and will be the direct, unconditional and unsubordinated general obligations of the Issuer and will rank *pari passu* among themselves and at least equally with all of the Issuer's other outstanding unsecured and unsubordinated general obligations, except as may be required by mandatory provisions of law.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering circular. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer or the Notes.

Application will be made to the Taipei Exchange ("TPEx") of the Republic of China (the "ROC" or "Taiwan") for the listing of, and permission to sell or resell, the Notes to "professional investors" as defined under Paragraph 1 of Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the Republic of China (the "TPEx Rules") only and such permission is expected to become effective on or about March 23, 2021. No assurance can be given that such application will be approved, or that the TPEx listing will be maintained. If the Notes fail to, or cease to, be listed on the TPEx, certain investors may not invest in, or continue to hold or invest in, the Notes.

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

The Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly, to investors other than "professional investors" as defined under Paragraph 1 of Article 2-1 of the TPEx Rules as amended from time to time. Purchasers of the Notes are not permitted to sell or otherwise dispose of the notes except by transfer to the aforementioned professional investors.

The Notes will be evidenced by a global note (the "Global Note") in registered form, which will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear System Bank S.A./N.V. ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Note will not be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their respective accountholders. Except as described herein, individual certificates for Notes will not be issued in exchange for beneficial interests in the Global Note.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States and to non-U.S. persons in offshore transactions in reliance on Regulation S, in compliance with applicable laws, regulations and directives. For further details about eligible offers and resale restrictions, see "Plan of Distribution" and "Transfer Restrictions."

Investing in the Notes involves risks. See "Risk Factors" beginning on page 11 to read about certain risk factors you should consider before buying the Notes.

Price: 99.672% per Note plus accrued interest, if any, from March 23, 2021.

Delivery of the Notes in book-entry form will be made on or about March 23, 2021.

Lead Manager
SG SECURITIES (HK) LIMITED, TAIPEI BRANCH

Joint Managers
CRÉDIT AGRICOLE CIB, TAIPEI BRANCH **HSBC BANK (TAIWAN) LIMITED**

Co-Managers
CAPITAL SECURITIES **CATHAY UNITED BANK** **FUBON SECURITIES**

KGI BANK **PRESIDENT SECURITIES** **TAISHIN INTERNATIONAL BANK**

The date of this Offering Circular is March 16, 2021.

TABLE OF CONTENTS

You should rely only on the information contained in this Offering Circular or to which the Issuer has referred you. The Issuer has not authorized anyone to provide you with information that is different. This Offering Circular may only be used where it is legal to sell these securities. The information in this Offering Circular may only be accurate on the date of this Offering Circular.

THE NOTES HAVE NOT BEEN REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. ACCORDINGLY, THE NOTES HAVE NOT BEEN AND WILL NOT BE OFFERED, DELIVERED, OR SOLD DIRECTLY OR INDIRECTLY IN KOREA OR TO OR FOR THE ACCOUNT OR BENEFIT OF ANY RESIDENT OF KOREA (AS DEFINED IN THE FOREIGN EXCHANGE TRANSACTION LAW OF KOREA AND THE REGULATIONS THEREUNDER) EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS. IN ADDITION, WITHIN ONE YEAR FOLLOWING THE ISSUANCE OF THE NOTES, THE NOTES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A QUALIFIED INSTITUTIONAL BUYER (OR A "QIB", AS DEFINED IN THE REGULATION ON ISSUANCE, PUBLIC DISCLOSURE, ETC. OF SECURITIES OF KOREA) REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION (THE "KOFIA") AS A QIB AND SUBJECT TO THE REQUIREMENT OF MONTHLY REPORTS WITH THE KOFIA OF ITS HOLDING OF QIB BONDS AS DEFINED IN THE REGULATION ON ISSUANCE, PUBLIC DISCLOSURE, ETC. OF SECURITIES OF KOREA, PROVIDED THAT (A) THE NOTES ARE DENOMINATED, AND THE PRINCIPAL AND INTEREST PAYMENTS THEREUNDER ARE MADE, IN A CURRENCY OTHER THAN KOREAN WON, (B) THE AMOUNT OF THE NOTES ACQUIRED BY SUCH QIBS IN THE PRIMARY MARKET IS LIMITED TO LESS THAN 20 PER CENT OF THE AGGREGATE ISSUE AMOUNT OF THE NOTES, (C) THE NOTES ARE LISTED ON ONE OF THE MAJOR OVERSEAS SECURITIES MARKETS DESIGNATED BY THE FINANCIAL SUPERVISORY SERVICE OF KOREA, OR CERTAIN PROCEDURES, SUCH AS REGISTRATION OR REPORT WITH A FOREIGN FINANCIAL INVESTMENT REGULATOR, HAVE BEEN COMPLETED FOR OFFERING OF THE NOTES IN A MAJOR OVERSEAS SECURITIES MARKET, (D) THE ONE-YEAR RESTRICTION ON OFFERING, DELIVERING OR SELLING OF NOTES TO A KOREAN RESIDENT OTHER THAN A QIB IS EXPRESSLY STATED IN THE NOTES, THE RELEVANT UNDERWRITING AGREEMENT, SUBSCRIPTION AGREEMENT, AND THE OFFERING CIRCULAR AND (E) THE ISSUER AND THE INITIAL PURCHASERS SHALL INDIVIDUALLY OR COLLECTIVELY KEEP THE EVIDENCE OF FULFILLMENT OF CONDITIONS (A) THROUGH (D) ABOVE AFTER HAVING TAKEN NECESSARY ACTIONS THEREFOR.

No person has been authorized in connection with any offering of the Notes to give any information or make any representation other than as contained in this Offering Circular and, if given or made, that information or representation must not be relied upon as having been authorized by the Issuer or by the Initial Purchasers (as defined in "Plan of Distribution"). This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any Notes by any person except in compliance with all applicable laws and regulations. No representation or warranty, express or implied, is made, and no responsibility or liability is accepted, by the Initial Purchasers or any of their directors, employees, affiliates or advisers as to the accuracy or completeness of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Initial Purchasers or their directors, employees, affiliates or advisers. Neither the delivery of this Offering Circular nor any sale made in connection with this Offering Circular shall under any circumstances imply that the information in this Offering Circular is correct as of any date subsequent to the date of this Offering Circular or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in the Issuer's affairs since the date of this Offering Circular.

We, having made all reasonable inquiries, confirm that this Offering Circular contains all information with respect to the Issuer and the Notes which is material in the context of the issue and offering of the Notes, that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed in this Offering Circular are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, and that there are no other facts, the omission of which would, in the context of the issue and offering of the Notes, make this Offering Circular as a whole or any information or the expression of any opinions or intentions expressed in this Offering Circular misleading in any material respect. The Issuer accepts responsibility accordingly. Information provided in this Offering Circular with respect to Korea and its political status and economy, has been derived from information published by the Korean government and other public sources, and the Issuer accepts responsibility only for the accurate extraction of information from such sources.

The Notes have not been registered with or approved or disapproved by the United States Securities and Exchange Commission, any state securities commission or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offense.

This Offering Circular does not constitute, and may not be used for purposes of, an offer, invitation or solicitation by anyone in any jurisdiction or in any circumstances in which such offer, invitation or solicitation is not authorized or to any person to whom it is unlawful to make such offer, invitation or solicitation. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular may come are required by the Issuer and the Initial Purchasers to inform themselves about and to observe the relevant restrictions. For a description of certain restrictions on offers and sales of the Notes and distribution of this Offering Circular, see "Plan of Distribution" and "Transfer Restrictions." No action is being taken in any jurisdiction to permit an offering to the general public of Notes or the distribution of this Offering Circular in any jurisdiction where action would be required for those purposes.

In making an investment decision, prospective investors must rely on their own examination of the Issuer and the terms of the offering of the Notes, including the merits and risks involved. The Issuer and the Initial Purchasers are not making any representation to any purchaser of the Notes regarding the legality of an investment in the Notes by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or tax advice.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA") . For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive") where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. This Offering Circular has been prepared on the basis that any offer of Notes in any member state of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of notes. This Offering Circular is not a prospectus for the purposes of the Prospectus Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, "FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the "UK Prospectus Regulation"). Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation. This Offering Circular has been prepared on the basis that any offer of Notes in the UK will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to publish a prospectus for offers of notes. This Offering Circular is not a prospectus for the purposes of the UK Prospectus Regulation.

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT, CHAPTER 289 OF SINGAPORE (THE "SFA") – the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

CERTAIN DEFINED TERMS AND CONVENTIONS

All references to “Woori Card”, the “Issuer” or the “Company” herein are references to Woori Card Co., Ltd. All references to “we” or “us” herein are references to the Issuer or to the Issuer and its subsidiaries, as the context requires. All references to “Woori Financial Group” herein are references to Woori Financial Group Inc., of which the Issuer is a wholly-owned subsidiary.

All references to “Korea” or the “Republic” herein are references to The Republic of Korea. All references to the “ROC” or “Taiwan” herein are references to The Republic of China. All references to the “Government” herein are references to the Government of The Republic of Korea. The “Financial Services Commission” or the “FSC” shall mean the Financial Services Commission of Korea, and the “Financial Supervisory Service” or the “FSS” shall mean the Financial Supervisory Service of Korea, the executive body of the FSC.

In this Offering Circular, references to “Won” or “₩“ are to the currency of Korea and all references to “U.S. dollars”, “Dollars”, “$” or “US$” are to the currency of the United States of America. The Issuer maintains its accounts in Won. This Offering Circular contains translations of certain Won amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Won amounts actually represent such U.S. dollar amounts or could have been or could be converted into U.S. dollars at any particular rate, or at all. Unless otherwise specified, all conversions were made at the market average exchange rate announced by Seoul Money Brokerage Services, Ltd. in Seoul for U.S. dollars against Won (the “Market Average Exchange Rate”). Unless otherwise stated, the translations of Won into U.S. dollars as of September 29, 2020 were made at the Market Average Exchange Rate in effect on such date, which was ₩1,173.5= US$1.00. The Market Average Exchange Rate has been highly volatile recently and the U.S. dollar amounts referred to in this offering circular should not be relied upon as an accurate reflection of the Issuer’s results of operations. The Issuer expects this volatility to continue in the near future. No representation is made 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. The Market Average Exchange Rate on March 8, 2021 was ₩1,129.4 = US$1.00. See “Exchange Rates.”

Any discrepancies in the tables included in this Offering Circular between the listed amounts and totals thereof are due to rounding.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a corporation with limited liability organized under the laws of Korea. All of the Issuer’s directors and officers and certain other persons named in this Offering Circular reside in Korea, and all or a significant portion of the assets of the directors and officers and certain other persons named in this Offering Circular and substantially all of the Issuer’s assets are located in Korea. As a result, it may not be possible for you to effect service of process within the United States upon such persons or to enforce against them or against the Issuer in U.S. courts judgments predicated upon 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 U.S. courts, of civil liabilities predicated on the U.S. federal securities laws.

PRESENTATION OF FINANCIAL INFORMATION

Our consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019, and as of and for the nine months ended September 30, 2019 and 2020, included in this Offering Circular, have been prepared in accordance with the Korean International Financial Reporting Standards ("K-IFRS"), which may differ in certain respects from International Financial Reporting Standards ("IFRS") applied in other countries. In making an investment decision, investors must rely upon their own independent examination of us, the terms of this offering and the most recent financial information, including the risks involved. Potential investors should consult their own professional advisers for an understanding of the differences between K-IFRS and IFRS, and how these differences affect the financial information contained in this Offering Circular. This Offering Circular should not be considered as a recommendation by any of the Initial Purchasers that any recipient of this Offering Circular should purchase the Notes.

All financial information in this Offering Circular has been presented on a consolidated basis unless otherwise specified or the context otherwise requires.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes "forward-looking statements," as defined in Section 27A of the Securities Act, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), including statements regarding the Issuer's expectations and projections for future operating performance and business prospects. The words "believe," "expect," "anticipate," "estimate," "project," "will," "aim," "will likely result," "will continue," "intend," "plan," "contemplate," "seek to," "future," "objective," "goal," "should," "will pursue" and similar expressions or variations of these expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding the Issuer's financial position and results, business strategy, plans and objectives of management for future operations, including development plans and objectives relating to the Issuer's products and services, are forward-looking statements. Such forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer or any third party) involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by forward-looking statements. Such forward-looking statements are based on current beliefs, assumptions, expectations, estimates and projections regarding the Issuer's present and future business strategies and the environment in which the Issuer will operate in the future. Among the important factors that could cause some or all of those assumptions not to occur or cause the Issuer's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things, the Issuer's ability to successfully implement the Issuer's business strategy and the Issuer's safety policies, the condition of and changes in the Korean, Asian or global economies, the Issuer's growth and expansion, including whether the Issuer succeeds in the Issuer's capital investment program to increase the Issuer's installed capacity, changes in interest rates and exchange rates and changes in government regulation and licensing of the Issuer's businesses in Korea and in other jurisdictions where the Issuer may operate. Additional factors that could cause the Issuer's actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors." Any forward-looking statements contained in this Offering Circular speak only as of the date of this Offering Circular. Each of the Issuer and the Initial Purchasers expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any such statement was based.

SUMMARY OF THE ISSUER

The Issuer

On April 1, 2013, the Issuer was established as a wholly-owned subsidiary of Woori Finance Holdings as a result of a horizontal spin-off of Woori Bank's credit card business (the "Spin-off"). On November 3, 2014, Woori Finance Holdings merged with and into Woori Bank, and the former subsidiaries of Woori Finance Holdings, including the Issuer, became Woori Bank's subsidiaries. On January 11, 2019, Woori Financial Group was established as a new financial holding company. In September 2019, the Issuer ceased to be Woori Bank's subsidiary and became Woori Financial Group's direct and wholly-owned subsidiary.

As a result of the Spin-off, the Issuer took over Woori Bank's credit card products and services, which are mainly targeted at consumers and corporate customers in Korea. The Issuer is wholly-owned by Woori Financial Group. As of September 30, 2020, the Issuer's market share based on transaction volume was approximately 8.7%, which ranked the Issuer as the sixth largest credit card issuer in Korea.

As of September 30, 2020, the Issuer also owned a 7.65% equity stake in BC Card Co., Ltd. ("BC Card"), a Korean credit card company co-owned by KT Corporation, which is one of Korea's largest telecommunications companies, as well as a private equity fund and other Korean financial institutions. BC Card operates the largest merchant payment network in Korea as measured by transaction volume. The Issuer's ownership of BC Card allows the Issuer 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 the Issuer's credit card operations.

The Issuer is a specialized credit card company and offers its products and services through a network of 860 nationwide branches of Woori Bank and 37 branches of its own located throughout Korea as of September 30, 2020.

The Issuer's card sales branches recruit new Accountholders (as defined below) and conduct marketing activities in Korea. The Issuer's installment sales branches also conduct marketing activities and provide installment finance services. Although the Issuer's card sales branches recruit new Accountholders and provide credit card related services, such branches do not provide installment finance related services. As of September 30, 2020, the Issuer had 24 card sales branches and 13 installment sales branches throughout Korea. As of December 31, 2017, 2018 and 2019, and as of September 30, 2020, personal credit cardholders of Woori Card amounted to 5.75 million, 6.06 million, 6.25 million and 6.46 million, respectively.

The Issuer's total assets was ₩8,611 million, ₩9,987 million and ₩10,087 million as of December 31, 2017, 2018 and 2019, respectively, and ₩10,826 million as of September 30, 2020. The Issuer's net income was ₩92,734 million, ₩126,534 million and ₩114,179 million for the years ended December 31, 2017, 2018 and 2019, respectively, and ₩94,831 million and ₩107,411 million, respectively, for the nine months ended September 30, 2019 and 2020, respectively. As of September 30, 2020, the Issuer's capital adequacy ratio, determined in accordance with FSC requirements, was 20.36%.

As of September 30, 2020, the Issuer had 715 full-time, permanent employees and 111 contract and part-time employees who are employed on a temporary basis. The Issuer's headquarters are located at 50, Jong-Ro 1-Gil, The-K Twin Towers, Jongno-gu, Seoul 03142, Korea.

THE OFFERING

The following is a brief summary of some of the terms of the Notes. This summary is derived from, and is qualified in its entirety by, the full text of the terms of the Notes. For a more detailed description of the terms of the Notes, see "Terms and Conditions of the Notes." Terms used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Notes."

Issuer	Woori Card Co., Ltd. (Legal Entity Identifier: 988400VJNXKQV9MVEM68)
Offering	US$200,000,000 1.750% Senior Unsecured Notes due March 23, 2026.
Issue Price	99.672% of principal amount of the Notes.
Issue Date	March 23, 2021
Maturity Date	March 23, 2026
Ranking	The Notes will be unsecured and will be the direct, unconditional, unsubordinated and general obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves and at least equally with all other present and future unsecured and unsubordinated obligations of us, except as may be required by mandatory provisions of law.
Interest	1.750% per annum, from, and including, the Issue Date to, but excluding, the Maturity Date, payable semi-annually in arrears.
Interest Payment Dates.........................	March 23 and September 23 of each year, commencing on September 23, 2021. For a further description of payments of interest on the Notes, see "Terms and Conditions of the Notes — Payments".
Tax Redemption	We may redeem the Notes at the Issuer's option, in whole but not in part, at their principal amount plus accrued interest to, but

excluding, the date fixed for redemption, if the Issuer has or would become obligated to pay Additional Amounts in respect of certain Korean taxes imposed in respect of payments of principal of or interest on the Notes. See "Terms and Conditions of the Notes — Optional Redemption Due to Changes in Tax Treatment."

Korean Taxes	Payments in respect of the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Korea or by or within any political subdivision of Korea or any authority or agency of Korea having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will (subject to certain exceptions) pay such Additional Amounts as will result in the holders of the Notes (the "Holders") receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required, except in certain circumstances. See "Terms and Conditions of the Notes — Additional Amounts" and "Taxation — Korean Taxation."
Denominations and Form.....................	The Notes will be deliverable only in registered form and only in denominations in principal amounts of US$200,000 and integral multiples of US$1,000 in excess thereof. The Notes will initially be represented by the Global Note in registered form deposited on the Closing Date with, and registered in the name of a nominee of, Citibank Europe PLC, as common depositary for Euroclear and Clearstream. Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders. Except as described herein, definitive certificates representing the Notes (each a "Certificated Note") will not be issued

	in exchange for beneficial interests in the Global Note. See "Form of the Notes." The Notes may not be sold or otherwise transferred except in accordance with the restrictions described under "Transfer Restrictions."
Negative Pledge	The terms of the Notes will contain a negative provision as further described in Condition 9 of the Terms and Conditions of the Notes.
Listing and Trading	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000. An application will be made by the Issuer for the Notes to be listed and admitted for trading on the TPEx. No assurance can be given that such application will be approved, or that the TPEx listing will be maintained. Admission to the listing and trading of the Notes on the TPEx shall not be taken as an indication of the merits of the Issuer or the notes. Effective date of listing of and trading of the Notes shall be on or about the Issue Date.
Korean Transfer Restrictions	The Notes may not be transferred to any resident of Korea other than "qualified institutional buyers" (as defined in the Regulation on Issuance, Public Disclosure, etc. of Securities of Korea) until the expiration of one year after the issuance of the Notes.
Governing Law.....................................	The Notes and the Fiscal Agency Agreement will be governed by, and construed in accordance with, the laws of the State of New York.
Fiscal Agent, Registrar, Transfer Agent and Paying Agent	Citicorp International Limited will act as the fiscal agent (the "Fiscal Agent") and Citibank,

	N.A., London Branch will act as the registrar, transfer agent and paying agent under the Fiscal Agency Agreement for the Notes to be dated on or about March 23, 2021. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for Definitive Certificates, the Issuer will appoint and maintain a paying agent in Singapore, where the Definitive Certificates may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for Definitive Certificates, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Certificates, including details of the paying agent in Singapore.
Use of Proceeds....................................	The net proceeds from the sale of the Notes, which are expected to be approximately US$198,944,000 after deduction of commission to the Initial Purchasers but before out-of-pocket expenses related to this offering, will be used for financing projects that provide benefits to micro, small and medium-sized merchants that fall under the Eligible Businesses. See "Use of Proceeds."
ISIN..	XS2315958566
Common Code	231595856

LISTING APPLICATION

Application will be made on behalf of the Issuer to the TPEx for the listing of, and permission to deal in, the Notes by way of debt issues to professional investors as defined under Paragraph 1 of Article 2-1 of the TPEx Rules Governing Management of Foreign Currency Denominated International Bonds of the ROC. The Notes will be listed and traded on the TPEx pursuant to the applicable rules of TPEx. Effective date of listing and trading of the Notes is on or about the Issue Date. The TPEx is not responsible for the content of this Offering Circular and/or any supplement or amendment thereto and no representation is made by the TPEx to the accuracy or completeness of this Offering Circular and/or any supplement or amendment thereto. The TPEx expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this Offering Circular and/or any supplement or amendment thereto. Admission to the listing and trading of the Notes on the TPEx shall not to be taken as an indication of the merits of the Issuer or the Notes. No assurances can be given as to whether the Notes will be, or will remain, listed on the TPEx. If the Notes fail to, or cease to, be listed on the TPEx, certain investors may not invest in, or continue to hold or invest in, the Notes.

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

NOTICES

If and for so long as the Notes are listed on the TPEx and for so long as the rules of the TPEx so require, all notices regarding the Notes and the Issuer required by the rules of TPEx shall also be published on a website designated by the Taiwan Financial Supervisory Commission (currently, https://siis.twse.com.tw/e_bond.htm). For public access of this website, please visit at:
https://www.tpex.org.tw/web/bond/publish/international_bond_search/memo_org.php?l=en-us

ROC SETTLEMENT AND TRADING

The Issuer has not entered into any settlement agreement with Taiwan Depository & Clearing Corporation ("TDCC") and has no intention to do so.

In the future, if the Issuer enters into a settlement agreement with TDCC, an investor, if it has a securities book-entry account with a Taiwan securities broker and a foreign currency deposit account with a Taiwanese bank, may settle the Notes through the account of TDCC with Euroclear or Clearstream if it applies to TDCC (by filing in a prescribed form) to transfer the Notes in its own account with Euroclear or Clearstream to such TDCC account with Euroclear or Clearstream for trading in the domestic market or vice versa for trading in overseas markets. For settlement through TDCC, TDCC will allocate the respective Notes position to the securities book-entry account designated by such investor in the ROC. The Notes will be traded and settled pursuant to the applicable rules and operating procedures of TDCC and the TPEx as domestic bonds. For such investors who hold their interest in the Notes through an account opened and held by TDCC with Euroclear or Clearstream, distributions of principal and/or interest for the Notes to such holders may be made by payment services banks whose systems are connected to TDCC to the foreign currency deposit accounts of the holders. Such payment is expected to be made on the second Taiwanese business day following TDCCs receipt of such payment (due to time difference, the payment is expected to be received by TDCC one Taiwanese business day after the distribution date). However, when the holders actually receive such distributions may vary depending upon the daily operations of the Taiwanese banks with which the holder has the foreign currency deposit account.

SUMMARY FINANCIAL INFORMATION

The following tables summarize certain financial information of the Issuer. The summary financial information set forth below as of and for the years ended December 31, 2017, 2018 and 2019 (excluding U.S. dollar amounts) have been derived from the Issuer's audited consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019, and the summarize certain financial information set forth below as of September 30, 2020 and for the nine months ended September 30, 2019 and 2020 have been derived from the Issuer's unaudited consolidated interim financial statements as of September 30, 2020 and for the nine months ended September 30, 2019 and 2020, in each case prepared in accordance with K-IFRS and included elsewhere in this Offering Circular.

Beginning on January 1, 2018, the Issuer has adopted K-IFRS 1109 'Financial Instruments' which has replaced in entirety previous guidance in K-IFRS 1039. In accordance with the guidance in K-IFRS 1109, the Issuer has not restated its financial information for previous periods. Accordingly, certain of the Issuer's historical financial information as of and for the year ended December 31, 2017 is not directly comparable against that of the Issuer's financial information after January 1, 2018. See Note 2 to the Issuer's consolidated financial statements as of and for the years ended December 31, 2017 and 2018 included elsewhere in this Offering Circular.

The Issuer's results of operations for the nine months ended September 30, 2020 may not be indicative of the Issuer's results of operations for any future interim period or for the full year 2020.

	For the Year Ended December 31,			For the Nine months ended September 30,		
	2017	2018	2019	2019	2020	2020[1]
	(in millions of Won and thousands of U.S. dollars, except per share data)					
Interest income	559,550	668,906	725,320	540,762	542,407	462,213
Interest expense	(135,947)	(161,116)	(172,740)	130,845	122,773	104,621
Net interest income	463,603	507,790	552,580	409,917	419,634	357,592
Fees and commissions income	1,061,812	612,109	548,793	407,230	381,120	324,772
Fees and commissions expense	(1,031,375)	(599,811)	(566,461)	424,751	419,880	357,801
Net fees and commissions income (expense)	30,437	12,298	(17,668)	(17,521)	(38,760)	(33,029)
Dividend income	8,709	10,154	5,836	5,836	6,752	5,754
Net gain on financial instruments at FVTPL (K-IFRS 1109)	-	2,749	1,375	1,055	1,002	854
Net gain on financial instruments at FVTPL (K-IFRS 1039)	1,514	-	-	-	-	-
Net gain on AFS financial assets (K-IFRS 1039)	254	-	-	-	-	-
Financial assets at amortized cost	3,857	35,345	17,766	17,687	27,056	23,056

Impairment losses due to credit loss	221,863	244,762	254,823	190,524	150,709	128,427
General and administrative expenses	163,536	170,765	190,062	136,439	145,997	124,412
Other net operating income (expense)	(1,113)	13,963	14,857	14,059	19,365	16,502
Operating income	122,862	166,772	129,861	104,070	138,343	117,889
Non-operating income (expenses)	780	(259)	20,160	19,963	2,064	1,759
Net income before income tax expense	122,082	166,513	150,021	124,033	140,407	119,648
Income tax expense	29,348	39,979	35,824	29,202	32,996	28,118
Net income	92,734	126,534	114,197	94,831	107,411	91,530
(Net income after the provision of regulatory reserves for credit loss)	31,588	81,908	93,475	50,753	85,512	72,869
Remeasurement of the net defined benefit liability	310	(1,125)	1,004	(2,849)	(1,627)	(1,386)
Items that will not be reclassified to profit or loss	310	(1,125)	1,004	(1,576)	(8,068)	(6,875)
Net gain on valuation of financial assets at FVTOCI	-	(1,531)	(2,120)	1,273	(6,441)	(5,489)
Net gain on valuation of AFS financial assets (Continued)	4,808	-	-	-	-	-
Cash flow hedging gains or losses on valuation of derivatives	1,822	(5,370)	(2,222)	(1,917)	(5,539)	(4,720)
Gain(loss) on foreign currency translation of foreign operations	(212)	(224)	923	939	2,456	2,093
Items that may be reclassified to profit or loss	6,418	(7,125)	(3,419)	(978)	(3,083)	(2,627)
Other comprehensive income, net of tax	6,108	(8,250)	(2,415)	(2,554)	(11,151)	(9,502)
Total comprehensive income	98,842	118,284	111,782	92,277	96,260	82,028
Net income attributable to:	92,734	126,534	114,197	94,831	107,411	91,530
Owners	92,734	126,534	114,197	94,831	107,411	91,530
Non-controlling interests	-	-	-	-	-	-
Total comprehensive income attributable to :	98,842	118,284	111,782	92,277	92,260	78,620
Owners	98,842	118,284	111,782	92,277	92,260	78,620
Non-controlling interests	-	-	-	-	-	-
Net income per share	530	706	637	529	593	505

	As of December 31,			As of September 30,	
	2017	**2018**	**2019**	**2020**	**2020[1]**
	(in millions of Won and thousands of U.S. dollars, except per share data)				
Assets					
Cash and cash equivalents	626,061	362,202	116,201	419,010	357,060

Financial assets at fair value through other comprehensive income (“FVTOCI”)	-	87,753	85,086	76,390	65,096
AFS financial assets	87,633	-	-	-	-
Financial assets at amortized cost	-	9,425,657	9,646,971	10,164,231	8,661,467
Loans and receivables	7,793,507	-	-	-	-
Premises and equipment	20,193	22,565	56,868	50,380	42,931
Intangible assets	33,856	35,768	43,338	43,740	37,273
Deferred tax assets	28,049	32,382	41,377	40,230	34,282
Derivatives assets	1,193	263	9,366	11,355	9,676
Net defined benefit assets	1,487	343	887	-	-
Other assets	19,259	20,467	87,248	21,001	17,896
Total assets	8,611,238	9,987,400	10,087,342	10,826,337	9,225,681
Liabilities					
Borrowings	-	4,485	4,631	79,694	67,911
Debentures	6,121,803	7,039,929	7,075,968	7,347,855	6,261,487
Provisions	41,964	55,042	56,815	60,358	51,434
Net defined benefit liabilities	-	-	-	4,957	4,224
Current tax liabilities	13,485	23,623	38,279	10,982	9,358
Derivative liabilities	55,651	33,754	6,839	24,589	20,954
Other financial liabilities	626,044	1,014,051	915,988	1,050,739	895,389
Other liabilities	131,771	134,552	200,655	214,113	182,457
Total liabilities	6,990,718	8,305,436	8,299,175	8,793,287	7,493,214
Equity					
Owner’s equity	1,620,520	1,681,964	1,788,167	2,033,050	1,732,467
Capital stock	896,331	896,331	896,331	896,331	763,810
Hybrid securities	-	-	-	149,913	127,749
Capital surplus	127,097	127,097	121,518	121,518	103,552
Other equity	32,542	24,292	21,876	10,750	9,161
Retained earnings	564,550	634,244	748,442	854,538	728,196
Regulatory reserves for credit loss	342,131	403,277	387,181	407,903	347,595
Planned provisions for regulatory reserve (reversal) for credit loss	61,146	(16,096)	20,722	21,889	18,653
Non-controlling interests	-	-	-	-	-
Total equity	1,620,520	1,681,964	1,788,167	2,033,050	1,732,467
Total liabilities and equity	8,611,238	9,987,400	10,087,342	10,826,337	9,225,681

Note:

(1) The U.S. dollar amounts have been translated into Won at ₩1,173.5 to US$1.00, the Market Exchange Rate as announced by Seoul Money Brokerage Services, Ltd. on September 29, 2020.

RISK FACTORS

An investment in the Notes is subject to numerous risks, including those listed below. Investors should carefully consider the following risks as well as the other information contained in this Offering Circular before purchasing the Notes. These risks could materially affect the Issuer's ability to meet the Issuer's obligations under the Notes. In such case, investors may lose all or part of their original investment in, and the expected return on, the Notes.

Risks Relating to the Issuer

The recent global outbreak of COVID-19 may adversely affect the Issuer's business, financial condition or results of operations.

COVID-19, an infectious disease caused by severe acute respiratory syndrome coronavirus 2, has spread globally and was declared a "pandemic" by the World Health Organization on March 11, 2020. The global outbreak of COVID-19 has led to global economic and financial disruptions and has adversely affected the Issuer's business operations in recent months. Risks associated with a prolonged outbreak of COVID-19 may include:

- adverse impacts on the creditworthiness of the Issuer's customers and other counterparties and an increase in defaults on payments from them, which may lead to an increase in delinquency ratios and a deterioration in asset quality, resulting in increased charge-offs, higher provisioning and reduced interest and fee income;

- widespread changes to, and significant and rapid reductions in, household and business activity and consumer and business spending, as well as economic contraction and a rise in unemployment;

- adverse impacts on the Issuer's cobrand and other partners, particularly those in the travel and airline industries, and on the Issuer's third-party service providers, merchants, customer acquisition channels, processors, aggregators, network partners and other third parties that the Issuer relies on for services that are integral to its operations;

- Adverse impacts on capital and credit market conditions and the Issuer's deposit base, which may limit the Issuer's access to funding, increase its cost of capital and affect its ability to meet liquidity needs.

- impairments in the fair value of the Issuer's investments in companies that may be adversely affected by the pandemic;

- disruption in the normal operations of the Issuer's business resulting from the contraction of the disease by the Issuer's employees or customers, which may necessitate the Issuer's employees to be quarantined; and

- disruption resulting from the necessity for social distancing, including, for example, temporary arrangements for employees to work remotely, which may lead to a reduction in labor productivity.

While the exact nature and magnitude of the impact of the COVID-19 pandemic on the Issuer's business, financial condition and results of operations are continuing to be assessed by its management, the Issuer believes that the COVID-19 pandemic has had, and are expected to continue to have, a material adverse impact on Issuer's business, financial condition and results of operations. Even if some countries succeed in significantly reducing the number of the cases from the current outbreak, the level of economic activity may not fully recover in the short term or at all due to concerns of future waves of COVID-19, the distribution and effectiveness of vaccines or changes in lifestyle and business practices. Therefore, the Korean and global economy may remain volatile or continue to deteriorate. To the extent that the ongoing COVID-19 pandemic prolongs and adversely affects our business, results of operations and financial conditions, it may also have the effect of increasing the likelihood and magnitude of the other risks described in this Offering Circular.

During the third quarter of 2020, the Issuer has recomputed the forward-looking information used to estimate expected credit losses in accordance with K-IFRS 1109 'Financial Instruments', thereby setting aside an additional loan-loss allowance of ₩9,614 million. See Note 3 to the Issuer's unaudited consolidated interim financial statements as of September 30, 2020 and for the nine months ended September 30, 2019 and 2020 included elsewhere in this Offering Circular.

Although the Issuer will continue to monitor the impact of COVID-19, it is not possible to predict the duration or the full magnitude of the overall harm that may result from the COVID-19 outbreak in the long term. In response to the outbreak, the Issuer has implemented various measures, such as distributing masks to protect its workforce. The Issuer has also established an emergency management committee to accurately assess the relevant risks, proactively develop countermeasures and enhance reporting and communication systems on a group-wide basis. Notwithstanding such efforts, in the event that COVID-19 or other types of widespread infectious diseases cannot be effectively and timely contained, the Issuer's business, financial condition, results of operations and cash flows may continue to be adversely affected.

Unfavorable changes in the global financial markets could adversely affect the Issuer's results of operations and financial condition.

The overall prospects for the Korean and global economy in 2021 and beyond remain uncertain. In recent years, the global financial markets have experienced significant volatility as a result of, among other things:

- the occurrence of severe health epidemics, such as the ongoing COVID-19 pandemic;

- interest rate fluctuations as well as changes in policy rates by the U.S. Federal Reserve and other central banks;

- financial and social difficulties affecting many countries worldwide, in particular in Latin America and Europe;

- a deterioration in economic and trade relations between the United States and its major trading partners, including China;
- the slowdown of economic growth in China and other major emerging market economies;
- increased uncertainties resulting from the United Kingdom's exit from the European Union; and
- political and social instability in various countries in the Middle East, including Syria, Iraq and Egypt.

In light of the high level of interdependence of the global economy, unfavorable changes in the global financial markets, including as a result of any of the foregoing developments, could have a material adverse effect on the Korean economy and financial markets, and in turn on the Issuer's business, financial condition and results of operations.

Future changes in market conditions as well as other factors may lead to an increase in delinquency levels.

In recent years, credit card and other consumer debt has increased significantly in Korea. The Issuer's total assets was ₩8,611 million, ₩9,987 million and ₩10,087 million as of December 31, 2017, 2018 and 2019, respectively, and ₩10,826 million as of September 30, 2020. The Issuer's net income was ₩92,734 million, ₩126,534 million and ₩114,179 million for the years ended December 31, 2017, 2018 and 2019, respectively, and ₩94,831 million and ₩107,411 million, respectively, for the nine months ended September 30, 2019 and 2020, respectively. The Issuer's large exposure to credit card and other consumer debt means that it is exposed to changes in economic conditions affecting Korean consumers in general. For example, a rise in unemployment, an increase in interest rates, a downturn in the real estate market, or a general contraction or other difficulties affecting the Korean economy may lead Korean consumers to reduce spending (a substantial portion of which is conducted through credit card transactions), which in turn leads to reduced earnings for the Issuer's credit card business, as well as to higher default rates on credit card loans, deterioration in the quality of the Issuer's credit card assets and increased difficulties in recovering written-off assets from which a significant portion of the Issuer's revenues is derived. Any of these developments could have a material adverse effect on the Issuer's business, financial condition and results of operations and consequently on the ability of the Note Issuer to make timely payments of principal and interest on the Notes.

Competition in the Korean credit card industry is intense and the growing market saturation in the credit card industry may adversely affect the growth prospects and profitability of the Issuer.

The Issuer competes principally with existing "monoline" credit card companies, credit card divisions of commercial banks, consumer finance companies, other financial institutions and, recently credit card service providers that have allied with mobile telecommunications service providers in Korea. Competition has been historically intense in this sector and the market has shown signs of saturation as existing and new credit card service providers, such as KB Kookmin

Card Co., Ltd., spun off from KB Financial Group in March 2011, have made significant investments and engaged in aggressive marketing campaigns and promotions to acquire new customers and target customers with high credit quality. While competition has subsided somewhat recently due to stricter government regulations, such as curbs on excessive marketing expenses, competition remains intense and credit card issuers may continue to compete with the Issuer for customers by offering lower interest rates and fees, higher credit limits, more attractive promotions and incentives and alternative products, such as mobile cards, gift cards and low-interest consumer loan products. As a result, the Issuer may lose customers or service opportunities while competing with other credit card issuers and/or incur higher marketing expenses. In addition, recent government regulations mandating lower merchant fees chargeable to small and medium-sized businesses are likely to reduce the revenues of credit card companies, including the Issuer. See "—The Issuer's fee income may be adversely affected by the Guidelines on Adjustment of Credit Card Merchants Commission Rates or other Governmental measures or policies." Customer attrition, together with any further lowering of fees or reduction in base and market interest rates and/or more extensive marketing and promotional campaigns that the Issuer might implement to acquire and retain customers, could reduce its revenues and earnings. Furthermore, the average credit quality of the Issuer's customers may decline if customers with higher credit quality borrow from the Issuer's competitors rather than from the Issuer.

As a result, banks are beginning to compete for new customers and it is likely that competition among bank-operated credit card companies and independent credit card companies will increase substantially. As the market further saturates as a result of this common focus and as the volume of transactions as well as the number of cardholders reaches maturity, it is expected that the market growth will significantly decrease. As a result, it may become increasingly difficult for the Issuer to attract new customers who meet the credit criteria set by the Issuer. Due to these market factors, the Issuer may have to focus even further on obtaining and retaining high credit quality customers. All in all, the growth and profitability of the Issuer's credit card operations may decline as a result of intense competition and growing market saturation in this sector.

The ability of the Issuer to preserve or continue to grow its assets in the future will depend on, among other things, its success in developing and marketing new products and services, its capacity to generate funding at commercially reasonable rates and in amounts sufficient to support preservation of assets and further asset growth, its ability to develop the personnel and system infrastructure necessary to manage its growth and increasingly diversified business operations and its ability to manage increasing delinquencies. In addition, external factors such as competition and government regulations in Korea may limit the Issuer's ability to maintain its growth. Also, economic and social developments in Korea, such as changes in consumer confidence levels, spending patterns or the public perception of credit card usage and consumer debt, could have an adverse impact on the growth rate of the Issuer's asset portfolio in the future. Furthermore, if the Issuer fails to simultaneously manage its asset quality and its asset growth or sacrifices asset quality in exchange for asset growth, its delinquency ratio may be adversely affected. If the growth rate of the Issuer's assets declines or becomes negative or its delinquency ratio increases, its results of operations and financial condition may be adversely affected. See "Business—Competition."

The Issuer may not be able to increase consumer and business spending and borrowing on its card products or manage the costs of its cardholder benefits intended to stimulate the use of its card products.

Increasing consumer and business spending and borrowing on its card products and growth in card lending balances depend in part on the Issuer's ability to develop and issue new or upgraded card and prepaid products and increase revenue from such products and services. It also depends on the Issuer's ability to attract new cardholders, reduce cardholder attrition, increase merchant coverage and capture a greater share of customers' total spending on its cards both in Korea and internationally. The Issuer may not be able to manage and expand cardholder benefits in a cost-effective manner, such as not being able to contain the growth of marketing, promotion and reward expenses. If the Issuer is not successful in increasing consumer and business spending or in managing costs or cardholder benefits, its revenue and profitability could be negatively affected.

The Issuer's fee income may be adversely affected by the Guidelines on Adjustment of Credit Card Merchants Commission Rates or other Governmental measures or policies.

The FSC, in addressing strong demands from a substantial number of merchants accepting credit cards (the "Credit Card Merchants") in Korea, formulated "Guidelines on Adjustment of Credit Card Merchants Commission Rates" (the "Guidelines") in August 2007 and recommended that credit card companies adjust the applicable commission rates for their Credit Card Merchants from November 2007. The Guidelines adjusted commission rates applicable to small size Credit Card Merchants, defined as merchants with annual sales of ₩48 million or less, to a fixed rate of 2.2%. Prior to the Guidelines coming into effect, commission rates applicable to small-sized Credit Card Merchants ranged from 2.3% to 4.5%. In respect of medium- sized Credit Card Merchants, defined as merchants with annual sales between ₩48 million and ₩96 million, the applicable maximum commission rates applicable decreased from 4.5% to 3.3%. In October 2009, the FSS stated that the adjusted applicable commission rates for Credit Card Merchants were still high and recommended again that credit card companies adjust the rates to a lower level. The Issuer further lowered the applicable commission rates for small-sized Credit Card Merchants, in April 2010 and October 2010, and for medium-sized Credit Card Merchants, in April 2010 and January 2011, to 2.05%. Also, in April 2010, the Issuer lowered the applicable commission rates for the Credit Card Merchants operating business in traditional markets, from 2.0% to 1.6%. In March 2012, the National Assembly of Korea amended the Specialized Credit Financial Business Act (the "Amended Credit Business Act") to lower the commission rate applicable to small and medium-sized Credit Card Merchants from 1.8% to 1.5%. The Amended Credit Business Act expanded the definition of small and medium-sized Credit Card Merchants to those with annual sales of up to ₩200 million and the revised commission rate became applicable beginning in September 2012, ahead of the enforcement of the Amended Credit Business Act in December 2012.

In 2017, the FSC cut credit card processing fees for small merchants starting from July 2017. The move was in line with a campaign pledged by the Government that it aims to ease financial burdens on consumers by assessing commission fees charged on banking and financial services. Credit card processing fees for small merchants with an annual revenue of between ₩300 million and ₩500 million were reduced by 0.7 percentage point to 1.3% per transaction.

For small merchants with an annual revenue between ₩ 200 million and ₩300 million, the merchant fees were cut by 0.5 percentage point to 0.8% per transaction. The cut affected about 267,000 small merchants and cut revenues of credit card firms by about ₩305 billion a year.

In 2019, the FSC cut credit card commission fee for small merchants again. Credit card commission fee for small merchants was lowered starting from February 2019, as the Government sought to ease financial burdens on self-employed business owners. Credit card processing fees for small merchants with an annual revenue of between ₩500 million and ₩1 billion was lowered by 0.65 percentage point to 1.4% per transaction. For merchants with an average revenue of between ₩1 billion and ₩3 billion, credit card processing fees was cut by 0.61 percentage points to 1.6% per transaction. Furthermore, as of January 2021, the FSC has begun a discussion of further reducing the credit card commission fee applicable to general credit card merchants, which will possibly bring down the revenue of credit card companies.

In addition, since the implementation of the Improper Solicitation and Graft Act in September 2016, revenue growth for corporate cards and service related industries such as dining, floral and entertainment have shown signs of decline, and additional regulations on loans reducing maximum interest rates chargeable from 27.9% to 24% came into effect in February 2018. Moreover, the Government announced in November 2020 that further reduction of the maximum interest rates chargeable from 24% to 20% is scheduled to take effect during the second half of 2021.

While the requirement of debt service ratio ("DSR") over household loans that are extended by credit card companies was implemented in June 2019, the Government is expected to tighten the DSR requirement to improve the soundness of household loans by calculating the DSR on the obligor-by-obligor basis. Currently, the DSR is calculated as the aggregate amount of the principal and interest payable by all household loan obligors of a credit card company divided by the aggregate amount of their income, which shall not exceed 60%. While it has not been announced when the new DSR requirement will become effective, if this change comes into force, it can lead to further reduction in profitability of credit card companies.

These developments have put further downward pressure on the results of operations for credit card companies, including the Issuer. Furthermore, the Government's recent guidelines to bolster consumer protection and protect customers' personal data in the aftermath of data leaks at certain credit companies (not including the Issuer) may result in additional compliance costs for the Issuer.

The implementation of the Government's privatization plan may have an adverse effect on the Issuer and the price of the Notes.

In June 2013, the Government, through the Public Funds Oversight Committee of the FSC, announced an updated plan to privatize Woori Finance Holdings Co., Ltd. ("Woori Finance Holdings"), the Issuer's former parent company, and its former subsidiaries. The privatization plan provided for the segregation of such entities into three groups and the disposal of the Government's interest in these entities held through the Korea Deposit Insurance Corporation (the “KDIC”) in a series of transactions, many of which have been completed. Such transactions included the following:

- *Kwangju Bank and Kyongnam Bank*. In May 2014, Woori Finance Holdings established KJB Financial Group and KNB Financial Group through a spin-off of its 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 became the owner of the shares of Kwangju Bank previously held by Woori Finance Holdings and KNB Financial Group became the owner of the shares of Kyongnam Bank previously held by Woori Finance Holdings. Woori Finance Holdings no longer owned any shares of Kwangju Bank or Kyongnam Bank, and neither they nor their new holding companies are its subsidiaries after the spin-off. Following such spin-off, each of these banks was merged with its respective holding company, and, in October 2014, the KDIC sold its 56.97% ownership interest in Kwangju Bank and Kyongnam Bank to JB Financial Group and BS Financial Group, respectively.

- *Woori Investment & Securities and Other Subsidiaries*. In March 2014, Woori Finance Holdings sold its 52.0% ownership interest in Woori Financial to KB Financial Group. In May 2014, Woori Finance Holdings sold its 100.0% ownership interest in Woori Asset Management to Kiwoom Securities and sold its 100.0% ownership interest in Woori F&I to Daishin Securities. In June 2014, Woori Finance Holdings sold its 37.9% ownership interest in Woori Investment & Securities, its 51.6% ownership interest in Woori Aviva Life Insurance and its 100.0% ownership interest in Woori FG Savings Bank to NongHyup Financial Group in a collective sale. As a result of such sales, Woori Investment & Securities, Woori Asset Management, Woori Aviva Life Insurance, Woori FG Savings Bank, Woori F&I and Woori Financial are no longer subsidiaries of Woori Finance Holdings, and Woori Finance Holdings no longer owns any shares in such former subsidiaries.

- *Woori Bank Co., Ltd. (“Woori Bank”)*. In November 2014, Woori Finance Holdings merged with and into Woori Bank. As a result of the merger, the other former subsidiaries of Woori Finance Holdings, including Issuer, Woori Private Equity, Woori FIS, Woori Investment Bank and Woori Finance Research Institute, became Woori Bank’s subsidiaries. In December 2014, the KDIC sold 40,143,022 shares of Woori Bank’s common stock (representing 5.9% of its outstanding common stock) in a private sale in Korea. In addition, in December 2016 and January 2017, the KDIC sold an aggregate of 200,685,395 shares of Woori Bank’s common stock (representing 29.7% of its outstanding common stock) in stakes ranging from 3.7% to 6.0% to seven financial companies through a bidding process. Pursuant to a commitment made by the KDIC in connection with such bidding process, five persons, each nominated by one of the winning bidders, were elected as new outside directors at an extraordinary general meeting of Woori Bank’s shareholders held in December 2016. In December 2018, five persons, each nominated by one of such winning bidders, were elected at an extraordinary general meeting of the Issuer’s shareholders to serve as Woori Financial Group’s outside directors upon its establishment. In 2017, pursuant to a series of transactions related to call options previously granted in connection with the KDIC’s sale of Woori Bank’s common stock in December 2014, the KDIC sold an aggregate of

19,852,364 shares of Woori Bank's common stock (representing 2.94% of its outstanding common stock). As a result of such transactions, the KDIC's ownership interest in the Issuer was reduced to 18.43%.

In connection with Woori Financial Group's establishment in January 2019 as a new financial holding company pursuant to a "comprehensive stock transfer" under Korean law, the KDIC received the common stock of Woori Financial Group in exchange for the common stock of Woori Bank it owned, as a result of which the KDIC currently owns 17.25% of the outstanding common stock of Woori Financial Group. The Issuer expects that the KDIC will sell all or a portion of such common stock in multiple transactions by 2022 in accordance with its plan that was approved by the FSC in June 2019.

The implementation of the Government's privatization plan, including the expected sale of the KDIC's remaining ownership interest in Woori Financial Group to third parties, is likely to have a significant impact on the Issuer. For example, the KDIC's sale of its ownership interest in Woori Financial Group to a small number of third parties may affect the Issuer's business, management, strategy, capital structure and assets and liabilities and lead to diversion of management attention, a loss of customers and labor unrest. Accordingly, the implementation of the privatization plan may have a material adverse effect on the business, financial condition and results of operations of the Issuer and the price of the Notes.

The risk management policies and procedures of the Issuer may not be effective.

The Issuer must effectively manage credit risk related to consumer debt, merchant bankruptcies and other credit trends and the rate of delinquencies, which can affect spending on credit card products, debt payments by customers and businesses that accept the Issuer's credit card products. Credit risk is the risk of loss resulting from an obligor or counterparty default. The Issuer is exposed to consumer credit risk, principally from credit card receivables, cash advances and card loans. While consumer credit risk is more closely linked to general economic conditions rather than borrower-specific events, it exposes the Issuer to the risk of loss. Third parties may default on their obligations to the Issuer due to bankruptcy, lack of liquidity, operational failure or other reasons. National, regional and political risks are components of credit risk. Rising delinquencies and rising rates of bankruptcy are often precursors of future write-offs and may require the Issuer to increase its allowance for doubtful accounts. Higher write-off rates and an increase in its allowance for doubtful accounts may adversely affect the Issuer's profitability and the performance of its securitizations, and may increase its cost of funds. Although the Issuer makes estimates to provide for credit losses in its outstanding portfolios of loans and receivables, these estimates may not be accurate. In addition, the information that the Issuer uses in managing credit risk may be inaccurate or incomplete. Although the Issuer regularly reviews its credit exposures, default risk may arise from events or circumstances that are difficult to foresee or detect, such as the effects of COVID-19 pandemic or fraud. The Issuer may also fail to receive full information with respect to the credit risks of its customers.

The Issuer must also effectively manage market risk to which it is exposed. Market risk represents the loss in value of portfolio and financial instruments due to adverse changes in market variables. The Issuer is exposed to market risk from interest rates. Changes in the interest rates at which the Issuer borrows and lends money affect the value of its assets and liabilities. If the rate of interest it pays on its borrowings increases more than the rate of interest it earns on its receivables and loans, its net finance charge revenue, and consequently its net income, could fall.

Finally, the Issuer must also manage the operational risks to which it is exposed. The Issuer considers operational risk to be the risk of not achieving its business objectives due to failed processes, people or information systems, or from the external environment, such as natural disasters. Operational risks include the risk that it may not accurately estimate the provision for the cost of its reward program, as well as the risk that it is unable to manage a downturn in its businesses and/or negative changes in its credit ratings, which could result in contingent payments under contracts, decreased liquidity and higher borrowing costs.

Although the Issuer has devoted significant resources to develop its risk management policies and procedures and expects to continue to do so in the future, its hedging strategies and other risk management techniques may not be fully effective in mitigating risk exposures in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Management of credit, market and operational risk requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective.

The Issuer is a subsidiary of Woori Financial Group, and the decisions and policies implemented by Woori Financial Group may not be in the Issuer's best interest as a stand-alone company.

The Issuer is the second largest subsidiary of Woori Financial Group, a financial holding company established in January 2019. While the Issuer believes that Woori Financial Group will improve the overall financial condition and the operations of its subsidiaries as a whole, the group-wide management decisions and policies that Woori Financial Group implements in the future may not necessarily be in the Issuer's best interest when thinking of itself as a separate company. For example, subject to certain limitations under the Financial Holding Company Act, Woori Financial Group may:

- require the Issuer to engage in various transactions, including mergers and acquisitions, investments, joint ventures or dispositions, either with other subsidiaries or with third parties, or to expand or restrict the Issuer's operations, for the benefit of the group;

- require the Issuer to provide direct or indirect support, financial, operational, technical or otherwise, to it or to other subsidiaries;

- make changes to the Issuer's management personnel or employees, including for the purpose of seconding individuals with particular skills or expertise to it or to other subsidiaries or as a result of policy disagreements; and

- implement group-wide initiatives, policies or strategies that require significant expenditures from the Issuer or significant time and attention of the Issuer's management.

Accordingly, there is no guarantee that the benefits to the Issuer of being a part of Woori Financial Group will outweigh the costs in any instance.

The Issuer's operations may be subject to increasing and continually evolving cybersecurity and other technological risks.

With the proliferation of new technologies and the increasing use of the Internet and mobile devices to conduct financial transactions, the Issuer's operations as a financial institution have been, and will continue to be, subject to an increasing risk of cyber incidents relating to these activities, the nature of which is continually evolving. The Issuer's computer systems, software and networks are subject to cyber incidents, such as disruptions, delays or other difficulties affecting the Issuer's information technology systems, computer viruses or other malicious codes, loss or destruction of data (including confidential client information), unauthorized access, account takeover attempts and cyberattacks. A significant portion of the Issuer's daily operations relies on its information technology systems, including customer service, billing, the secure processing, storage and transmission of confidential and other information as well as the timely monitoring of a large number of complex transactions.

The public is developing heightened awareness about the importance of keeping their personal data private, and the financial regulators are placing greater emphasis on data protection by financial service providers. For example, under the Personal Information Protection Act, financial institutions, as personal information manager, may not collect, store, maintain, utilize or provide resident registration numbers of their customers, unless other laws or regulations specifically request or permit the management of resident registration numbers. Further, under the Use and Protection of Credit Information Act, a financial institution has a higher duty to protect credit information, meaning information necessary to assess the creditworthiness of the counterparty to financial transactions and other commercial transactions. Such regulations have considerably restricted a financial institution's ability to transfer or provide the information to its affiliate or holding company, and treble damages can be imposed on a financial institution for a leakage of such information. In addition, under the Electronic Financial Transaction Act, a financial institution is primarily responsible for compensating its customers harmed by the financial institution's cyber security breach, even if the breach is not directly attributable to the financial institution. On January 9, 2020, the Korean National Assembly passed amendments to three major data privacy laws (the Personal Information Protection Act, the Act on the Promotion of Information and Communications Network Utilization and Information Protection and the Act on the Use and Protection of Credit Information), expanding the scope of personal information that may be shared among financial institutions provided such personal information is pseudonymized. With this, although the Issuer expects to see more diverse use of customers' information, it nevertheless expects cyber security and ensuring confidentiality of customers' information to become more important than ever for financial institutions.

The Issuer maintains an integrated system that closely monitors customer information to ensure compliance with data protection laws and regulations as well as our internal policies. Although the Issuer has made substantial and continuous investments to build systems and defenses to address cybersecurity and other technological risks, there is no guarantee that such measures or any other measures can provide adequate security and stability. In February 2019, the Korea Communications Commission issued an institutional warning to and imposed a fine of ₩7 million on the Company for alleged negligence in encrypting customer information and disposing of such information after it was no longer in use. In addition, because methods used to cause cyberattacks change frequently or, in some cases, are not recognized until launched, the

Issuer may be unable to implement effective preventive measures or proactively address these methods. Furthermore, these cyber threats may arise from human errors, accidental technological failures and third parties with whom the Issuer does business. If the Issuer were to be subject to a system failure or other cyber incident, it could result in the disclosure of confidential client information, damages to the Issuer's reputation with its customers and in the market, customer dissatisfaction, additional costs to the Issuer, regulatory penalties, exposure to litigation and other financial losses to both the Issuer and its customers, which could have an adverse effect on its business and results of operations.

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

Companies in Korea, including the Issuer, 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. There may also be less publicly available information about Korean companies, such as the Issuer, 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 Korea

If economic conditions in Korea deteriorate, the Issuer's current business and future growth could be materially and adversely affected.

The Issuer is incorporated in Korea, and a substantial majority of its operations are located in Korea. As a result, the Issuer is subject to political, economic, legal and regulatory risks specific to Korea, and its performance and successful fulfillment of its operational strategies are dependent to a large extent on the overall Korean economy. The economic indicators in Korea in recent years have shown mixed signs of growth and uncertainty, in 2021, the overall Korean economy and the economies of Korea's major trading partners have shown signs of deterioration due to the debilitating effects of the COVID-19 pandemic. See "Risk Factors – Risks relating to the Issuer – The recent global outbreak of COVID-19 may adversely affect the Issuer's business, financial condition or results of operations." As a result, future growth of the Korean economy is subject to many factors beyond the Issuer's control, including developments in the global economy.

In recent years, adverse conditions and volatility in the worldwide financial markets, fluctuations in oil and commodity prices and the increasing weakness of the global economy, including those due to the COVID-19 pandemic, 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 "Risk Factors – Risks relating to the Issuer – Unfavorable changes in the global financial markets could adversely affect the Issuer's results of operations and financial condition." The value of the Won relative to major foreign currencies has fluctuated significantly and, as a result of deteriorating global and Korean economic conditions, there has been significant volatility in the stock prices of Korean companies recently. Further declines in the Korea Composite Stock Price Index 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 the Issuer's business, financial condition and results of operations.

Developments that could have an adverse impact on Korea's economy include:

- declines in consumer confidence and a slowdown in consumer spending in the Korean or global economy;

- 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;

- deterioration in economic and diplomatic relations between Korea and Japan, including the reciprocal removal by Japan and South Korea from each other's so-called "whitelist" of favored trading partners of Japan, followed by a boycott of Japanese products by Korean consumers;

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

- the occurrence of severe health epidemics in Korea and other parts of the world, including the recent coronavirus (COVID-19) outbreak, as well as the Ebola, Middle East Respiratory Syndrome (MERS) and Zika virus outbreaks;

- 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 Yuan and the overall impact of Brexit on the value of the Won), interest rates, inflation rates or stock markets;

- increased sovereign default risk in select countries and the resulting adverse effects on the global financial markets;

- investigations of large Korean business groups and their senior management for possible misconduct;

- a continuing rise in the level of household debt and increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers in Korea, including due in part to the Government's policies to increase minimum wages and limit working hours of employees;

- potential escalation of the ongoing trade war between the U.S. and China as each country introduces tariffs on goods traded with the other;

- social and labor unrest;
- decreases in the market prices of Korean real estate;
- the economic impact of any pending or future free trade agreements or changes in existing free trade agreements;
- a decrease in tax revenue and a substantial increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that would lead to an increased government budget deficit;
- financial problems or lack of progress in the restructuring of Korean business groups, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities or corporate governance issues at certain Korean companies;
- increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;
- geo-political uncertainty and the risk of attacks by terrorist groups around the world;
- the occurrence of natural or man-made disasters in Korea (such as the sinking of the Sewol ferry in April 2014, which significantly dampened consumer sentiment in Korea for months) and other parts of the world, particularly in trading partners of Korea;
- political uncertainty or increasing strife among or within political parties in Korea and political gridlock within the Government or in the legislature, which prevents or disrupts timely and effective policy making;
- hostilities or political or social tensions involving oil producing countries in the Middle East and North Africa and any material disruption in the global supply of oil or sudden increase in the price of oil;
- increased reliance on exports to service foreign currency debts, which could cause friction with Korea's trading partners;
- the continued growth 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); and
- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

Escalations in tensions with North Korea could have an adverse effect on the Issuer and the market value of the Issuer's common shares.

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

- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and has conducted several rounds of nuclear tests since October 2006, including claimed detonations of hydrogen bombs and warheads that can be mounted on ballistic missiles. Over the years, North Korea has also conducted a series of ballistic missile tests, including missiles launched from submarines and intercontinental ballistic missiles that it claims can reach the United States mainland. In response, the Government has repeatedly condemned the provocations and flagrant violations of relevant United Nations Security Council resolutions. In February 2016, the Government also closed the inter-Korea Gaesong Industrial Complex in response to North Korea's fourth nuclear test in January 2016. Internationally, the United Nations Security Council has passed a series of resolutions condemning North Korea's actions and significantly expanding the scope of sanctions applicable to North Korea, most recently in December 2017 in response to North Korea's intercontinental ballistic missile test in November 2017. Over the years, the United States and the EU have also expanded their sanctions applicable to North Korea.

- In August 2015, two Korean soldiers were injured in a landmine explosion near the Korean demilitarized zone. Claiming the landmines were set by North Koreans, the Korean army reinitiated its propaganda program toward North Korea utilizing loudspeakers near the demilitarized zone. In retaliation, the North Korean army fired artillery rounds on the loudspeakers, resulting in the highest level of military readiness for both Koreas. High-ranking officials from North Korea and Korea subsequently met for discussions intending to diffuse military tensions and released a joint statement whereby, among other things, North Korea expressed regret over the landmine explosions that wounded the Korean soldiers.

North Korea's economy also faces severe challenges, which may further aggravate social and political pressures within North Korea. In addition, reunification of Korea and North Korea could occur in the future, which would entail significant economic commitment and expenditure by Korea that may outweigh any resulting economic benefits of reunification.

President Moon Jae-in and Kim Jong-un met in summits on each of April 27, 2018, May 26, 2018 and September 18, 2018 to discuss, among other matters, denuclearization of the Korean peninsula. On June 12, 2018, U.S. President Donald Trump and Kim Jong-un had an official summit in Singapore, the first ever meeting between leaders of the United States and North Korea. Subsequent to the Singapore summit, they signed a joint statement, which stated, among others, new peaceful relations and the denuclearization of the Korean peninsula. A second official summit between U.S. President Donald Trump and Kim Jong-un was held in Vietnam on February 27 and 28, 2019. However, on February 28, 2019 the White House announced that the summit was cut short and no agreement was reached. On June 30, 2019, U.S. President Donald

Trump and Kim Jong-un had a third summit meeting at a border village within the Korean Demilitarized Zone, marking the first time an incumbent U.S. President laid foot on North Korean territory. However, in December 2019, North Korea announced its intention to resume missile testing, heightening tensions. On June 16, 2020, North Korea destroyed the joint liaison office in Kaesong, citing anti-regime propaganda allegedly disseminated using balloons across the border by Korean activists, and cut all other communication channels with Korea.

In the aftermath of these summits and continuous discussions among Korea, North Korea and the U.S., there still remains significant uncertainty regarding peace talks and the denuclearization of the Korean peninsula. There can be no assurance that the level of tensions affecting 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 further military hostilities occur, could have a material adverse effect on the Korean economy and on the Issuer's business, financial condition and results of operations.

Labor unrest in Korea may adversely affect the Issuer's 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 3.8%, 3.8% and 4.0% in 2018, 2019 and 2020. Any further increases in unemployment and any resulting labor unrest in the future could adversely affect the Issuer's operations, as well as the operations of many of its 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 Woori Financial Group and its subsidiaries contemplates the sale of its remaining ownership interest in Woori Financial Group to one or more third parties, which may lead to labor unrest among the Issuer's employees. Any of these developments may have an adverse effect on the Issuer's financial condition and results of operations.

There are special risks involved with investing in securities of Korean companies, including the possibility of restrictions being imposed by the Government in emergency circumstances as well as accounting and corporate disclosure standards that differ from those in other jurisdictions.

As the Issuer is a Korean company, there are risks associated with investing in the Issuer's securities that are not typical for investments in securities of companies in other jurisdictions. As a Korean company, the Issuer operates in a business and cultural environment that is different from that of other countries.

Under the Foreign Exchange Transaction Act of Korea, if the Government determines that certain emergency circumstances, including sudden fluctuations in interest rates or exchange rates, extreme difficulty in stabilizing the balance of payments or substantial disturbance in the Korean financial and capital markets, are likely to occur, it may impose any necessary restriction such as requiring Korean or foreign investors to obtain prior approval from the Minister of Economy and Finance of Korea for the acquisition of Korean securities or for the repatriation of interest, dividends or sales proceeds arising from Korean securities or from disposition of such securities or other transactions involving foreign exchange.

In addition, the Issuer prepare and present the Issuer's financial statements in accordance with K-IFRS, which differs in material respects from accounting principles applicable to companies in certain other countries. The Issuer also will make public disclosures regarding other aspects of the Issuer's business in accordance with the rules and regulations of the Korea Exchange and accepted practice in Korea. These disclosure rules and practices differ in material respects from those applicable to companies in certain other countries. 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. In making an investment decision, investors must rely upon their own examination of the Issuer's company, the terms of the Global Offering and the financial information contained in this offering circular.

The Issuer is incorporated in Korea, and it may be more difficult to enforce judgments obtained in courts outside Korea.

The Issuer is incorporated in Korea. A majority of its directors are non-U.S. residents, and a substantial majority of the Issuer's assets and the personal assets of the Issuer's directors and executive officers are located outside the United States. As a result, when compared to a U.S. company, it may be more difficult for investors to effect service of process in the United States upon the Issuer or to enforce against us, the Issuer's directors or executive officers, judgments obtained in U.S. courts predicated upon civil liability provisions of the federal or state securities laws of the United States or similar judgments obtained in other courts outside Korea. There is doubt as to the enforceability in Korean courts, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal and state securities laws of the United States. In Korea, the procedure and requirements for the recognition of legal effect of foreign judgments are set forth in the Civil Procedure Act. Under Article 217(1) of the Civil Procedure Act, enforcement of foreign judgments by Korean courts require that: (1) the judgment must be a final and conclusive judgment, and the jurisdiction of the foreign court which rendered the judgment must be recognized under the principles of international jurisdiction pursuant to the statutes or treaties of Korea, (2) the defendant must have been served with proper notice and given sufficient time to defend the case, (3) the approval of such final judgment shall not undermine sound morals or other social order of Korea and (4) there must be a guarantee of mutual reciprocity. For compulsory execution of the judgment rendered by a foreign court, Article 26 of the Civil Execution Act requires an execution judgment by a Korean court. A foreign judgment may not be enforceable in Korea if it does not meet the requirements set forth in the Civil Procedure Act and the Civil Execution Act.

The Issuer's transactions with related parties are subject to close scrutiny by the Korean tax authorities.

Under Korean tax law, there is an inherent risk that the Issuer's transactions with the Issuer's subsidiary, affiliates or other members of Woori Financial Group or any other person or company that is related to the Issuer may be challenged by the Korean tax authorities if such transactions are viewed as having been made on terms that were not on an arm's-length basis. If the Korean tax authorities determine that any of the Issuer's transactions with related parties were not on an arm's-length basis, the Issuer would not be permitted to deduct as expenses, or would be required to include as taxable income, the amount equivalent to such undue financial support as expenses, which may have adverse tax consequences for the Issuer and, in turn, may adversely affect the Issuer's business, financial condition and results of operations.

Risks Relating to the Notes

The Notes are subject to transfer restrictions.

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. The Notes may only be sold to certain persons in offshore transactions in reliance on Regulation S, or, if available, pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and, in each case, in accordance with applicable state securities laws. In addition, subject to the conditions set forth in the Fiscal Agency Agreement (as defined in "Terms and Conditions of the Notes"), a Note may be transferred only if the principal amount of Notes transferred is at least US$200,000. For a further discussion of the transfer restrictions applicable to the Notes, see "Terms and Conditions of the Notes" and "Transfer Restrictions."

The Notes have not been and will not be registered under the FSCMA. Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined under the Foreign Exchange Transaction Law of Korea and its Enforcement Decree), except as otherwise permitted under applicable Korean laws and regulations.

In addition, during the first year after the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a "qualified institutional buyer" (a "Korean QIB", as defined in the Regulation on Issuance, Public Disclosure, Etc. of Securities of Korea) who is registered with KOFIA for Korean QIB bond trading. Furthermore, any such Korean QIB must file monthly reports to KOFIA concerning Korean QIB bondholdings and the Notes acquired by all Korean QIBs at the time of issuance must be less than 20% of the aggregate principal amount of the Notes.

The Notes are subject to prescription regulations in Korea.

Failure to exercise a right of action for more than a certain period of time may operate as a bar to exercise of such right. Under Korean laws, claims against the issuer in respect of the payment of principal of notes or bonds are prescribed upon the expiry of ten years, and claims for payment of interest in respect of notes or bonds are prescribed upon the expiry of five years, in each case, from the relevant due date as adjusted by any acceleration or otherwise, in respect thereof. If the Note holders fail to exercise his or her right of payment for more than the period set forth above, the Korean courts may not enforce a claim for payment for principal or interest in respect of the Notes.

There is no existing trading market for the Notes and, therefore, the Notes offer limited liquidity.

The Notes constitute a new issue of securities for which there is no existing market. Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. The offer and sale of the Notes is not conditioned on obtaining a listing of the Notes on the SGX-ST or any other exchange. Although the Initial Purchasers have advised the Issuer that they currently intend to make a market in the Notes, they are not obligated to do so, and any market-making activity with respect to the Notes, if commenced, may be discontinued at any time without notice in their sole discretion. For a further discussion of the Initial Purchasers' planned market-making activities, see "Plan of Distribution."

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

- prevailing interest rates;
- our results of operations and financial condition;
- the rate of exchange between Won and the currency of the Notes;
- political and economic developments in and affecting Korea and other regions;
- the market conditions for similar securities; and
- the financial condition and stability of the Korean financial and other sectors.

No public market exists for the Notes. Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST, and application for the listing of the Notes will be made to the TPEx. No assurances can be given as to whether the Notes will be, or will remain, listed on TPEx and the SGX-ST or whether a trading market for the Notes will develop or as to the liquidity of any such trading market. If the Notes fail to or cease to be listed on TPEx or the SGX-ST, certain investors may not invest in, or continue to hold or invest in, the Notes. If any of the Notes are traded after their initial issue, they may be traded at a discount or premium from their initial offering price, depending on prevailing interest rates, the market for similar securities and the market for the Notes and other factors, including general economic conditions and the Issuer's financial condition, performance and prospects. No assurance can be given as to the future price level of the Notes after their initial issue.

The Notes may be sold to a limited number of investors and liquidity of the Notes may be adversely affected if a significant portion of the Notes is bought by limited investors.

The Notes are not protected by restrictive covenants.

The Fiscal Agency Agreement governing the Notes does not contain various restrictive financial or operating covenants or restrictions on the payment of dividends, the incurrence of indebtedness, the sale of assets or the issuance or repurchase of securities by the Issuer.

There can be no assurance that the use of proceeds of the Notes will be suitable for the investment criteria of an investor.

There is currently no market consensus on what precise attributes are required for a particular project to be defined as "social," and therefore no assurance can be provided to investors that the Notes will meet all investor expectations regarding social performance. See "Use of Proceeds." Although the eligible financing will be selected in accordance with our social bond management framework (the "Social Bond Management Framework"), there can be no guarantee that the projects will deliver the social benefits as anticipated, or that adverse social impacts will not occur during the design, construction, commissioning and operation of the projects. In addition, where any negative impacts are insufficiently mitigated, the projects may become controversial, and/or may be criticized by activist groups or other stakeholders.

The Issuer has engaged an external verifier, KPMG Samjong Accounting Corp., to review the Social Bond Management Framework and provide a verification report (the "Verification Report") regarding the Social Bond Management Framework's social credentials, as well as its alignment with the Social Bond Principles of the International Capital Market Association. The Verification Report may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes.

The Social Bond Management Framework and the Verification Report are not incorporated into, and do not form part of, this Offering Circular. Neither the Issuer nor any of the Managers makes any representation as to the suitability of the Social Bond Management Framework. Neither the Social Bond Management Framework nor the Verification Report is a recommendation to buy, sell or hold securities, and the Social Bond Management Framework and the Verification Report are only current as of the date they were initially published on April 10, 2019 by the Issuer and the external verifier, respectively. Furthermore, the Social Bond Management Framework and the Verification Report are for information purposes only and neither the Issuer nor any of the Managers accepts any form of liability for the substance of the Social Bond Management Framework or the Verification Report and/or any liability for loss arising from the use of the Social Bond Management Framework or the Verification Report and/or the information provided therein.

In addition, although the Issuer has agreed to certain reporting and use of proceeds obligations in connection with certain social criteria, the Issuer's failure to comply with such obligations does not constitute a breach or an event of default under the Notes. A withdrawal of the Verification Report or any failure by the Issuer to use the proceeds of the Notes on eligible financing or to meet or continue to meet the investment requirements of certain socially-focused investors with respect to such Notes may affect the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose. No assurance can be provided with respect to the suitability of the Verification Report or that the Notes will fulfill the social criteria to qualify as social bonds.

Each potential purchaser of Notes should determine for itself the relevance of the information provided in the Offering Circular regarding the use of proceeds, including the Social Bond Management Framework and the Verification Report, and its purchase of Notes should be based upon such investigation as it deems necessary.

The Social Bond Management Framework and the Verification Report are available on the Issuer's website at https://pc.wooricard.com/dcpc/yh1/cid/cid03/H1CID201S17.do.

USE OF PROCEEDS

We expect the net proceeds from the sale of the Notes of approximately US$198,944,000, after deduction of commissions to the Initial Purchasers but before certain out-of-pocket expenses relating to this offering, will be used for financing projects that provide benefits relating to shortening the payment cycles for card settlement bills for micro, small and medium-sized merchants in accordance with our Social Bond Management Framework, which is in alignment with the Social Bond Principles of the International Capital Market Association.

Background

As part of financial supervision innovation projects for strengthening the financial support to self-employed individuals and the people, the Financial Supervisory Service on July 9, 2018 announced various measures to support the enhancement of competitiveness of self-employed individuals and the small and medium-sized enterprises. We are actively participating in shortening the payment cycles for card settlement bills for micro, small and medium-sized merchants (effective as of September 2018), which is part of the government's policies to strengthen financial support for self-employed individuals and the people.

Purpose of the Net Proceeds from the Notes

We intend to use the net proceeds from the sale of the Notes through the evaluation and selection from the businesses that fall under the following category (the "Eligible Businesses"):

Category	Details
Socio-economic Development	• Shortening the payment cycles for card settlement bills for micro, small and medium-sized merchants (within two (2) business days from slip purchase date to one (1) business day from slip purchase date) o Micro-sized: annual sales of ₩300 million or less o Small and medium-sized: annual sales of ₩300 millon to ₩500 million or less

Our objectives are:

- Reducing the financial burden of micro, small and medium-sized merchants; and
- Strengthen the competitiveness of self-employed individuals and small enterprises and eliminate economic imparity.

Evaluation and Selection Process for Subject Businesses

The Company procures card sales information aggregated by the relevant business unit and settlement bills categorized by general, micro, small and medium-sized merchants to be submitted to the department in charge of the issuance of the Notes. If any bills fall into the Eligible Businesses, the department in charge then selects such bills that meet the requirements of the relevant use and size. All these procedures are conducted electronically.

Management of Funds

The Company appropriately allocates and manages the funds raised by the Notes among the Eligible Businesses. The department in charge of the issuance of the Notes allocates the funds appropriately to the Eligible Businesses, continuously follows up and reviews the relevant information and manages unutilized funds with highly liquid financial investments and others in accordance with the internal fund management regulations.

Ex-post Report

The Company plans to provide an "Investor Report" including the following information on the Company's website on an annual basis until the funds are fully allocated:

- information about application for funds raised by the Notes;
- unutilized amount of funds raised by the Notes; and
- expected effects.

External Reviews

The Company obtains the Verification Report based on the social bond principles from external specialized institution in regard to the appropriateness of the social bond management system. KPMG Samjong Accounting Corp., an external verifier, issued the Verification Report dated April 10, 2019. Our Social Bond Management Framework and the Verification Report are available at our website: https://pc.wooricard.com/dcpc/yh1/cid/cid03/H1CID201S17.do.

EXCHANGE RATES

The following table sets forth, for the periods and dates indicated, certain information concerning the Noon Buying Rate in Won per US$1.00. No representation is made that the Won or the 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.

Year Ended December 31,	At End of Period	Average[1]	High	Low
	(Won per US$1.00)			
2016	1,208.5	1,160.5	1,240.9	1,093.2
2017	1,071.4	1,130.8	1,208.5	1,071.4
2018	1,118.1	1,100.3	1,142.5	1,057.6
2019	1,157.8	1,165.7	1,218.9	1,111.6
2020	1,088.0	1,180.1	1,280.1	1,082.7
2021 (through March 8)	1,129.4	1,106.6	1,129.4	1,083.1
January	1,114.6	1,097.5	1,114.6	1,083.1
February	1,108.4	1,111.7	1,124.0	1,099.7
March (through March 8)	1,129.4	1,124.3	1,129.4	1,121.3

Source: Seoul Money Brokerage Services, Ltd.

Note:

(1) Represents the average of the Market Average Exchange Rate over the relevant period.

CAPITALIZATION

The following table sets forth the Issuer's capitalization as derived from and should be read in connection with the Issuer's unaudited consolidated interim financial statements as of September 30, 2020 included in this Offering Circular.

	As of September 30, 2020[1] (in millions of Won and thousands of U.S. dollars[2])			
Liabilities				
Borrowing	₩	79,694	US$	67,911
Debentures		7,347,855		6,261,487
Total Debt	₩	8,793,287	US$	7,493,214
Stockholder's equity				
Common stock ₩5,000 par value	₩	896,331	US$	763,810
Authorized – 670,000,000 shares				
Issued and outstanding – 179,266,200 shares				
Capital surplus		121,518		103,552
Accumulated other comprehensive income		10,750		9,161
Retained earnings		854,538		728,196
Total stockholder's equity[3]	₩	2,033,050	US$	1,732,467
Total capitalization	₩	10,826,337	US$	9,225,681

Notes:

(1) Except as disclosed herein, there has been no material change in the Issuer's capitalization since September 30, 2020.

(2) The exchange rate used to convert U.S. dollars into Won in the case of the Notes now being issued is ₩1,173.5 to US$1.00, which was the Noon Buying Rate in effect as of September 29, 2020.

(3) Total capitalization is defined as total debt plus total stockholder's equity.

SELECTED FINANCIAL DATA

The following tables set forth the Issuer's selected financial data. The selected financial data set forth below as of and for the years ended December 31, 2017, 2018 and 2019 (excluding U.S. dollar amounts) have been derived from the Issuer's audited consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019, and the selected financial data set forth below as of September 30, 2020 and for the nine months ended September 30, 2019 and 2020 have been derived from the Issuer's unaudited consolidated interim financial statements as of September 30, 2020 and for the nine months ended September 30, 2019 and 2020, in each case prepared in accordance with K-IFRS and included elsewhere in this Offering Circular.

Beginning on January 1, 2018, the Issuer has adopted K-IFRS 1109 'Financial Instruments' which has replaced in entirety previous guidance in K-IFRS 1039. In accordance with the guidance in K-IFRS 1109, the Issuer has not restated its financial information for previous periods. Accordingly, certain of the Issuer's historical financial information as of and for the year ended December 31, 2017 is not directly comparable against that of the Issuer's financial information after January 1, 2018. See Note 2 to the Issuer's consolidated financial statements as of and for the years ended December 31, 2017 and 2018 included elsewhere in this Offering Circular.

The Issuer's results of operations for the nine months ended September 30, 2020 may not be indicative of the Issuer's results of operations for any future interim period or for the full year 2020.

	For the Year Ended December 31,			For the Nine months ended September 30,		
	2017	**2018**	**2019**	**2019**	**2020**	**2020[1]**
	(in millions of Won and thousands of U.S. dollars, except per share data)					
Interest income	559,550	668,906	725,320	540,762	542,407	462,213
Interest expense	(135,947)	(161,116)	(172,740)	130,845	122,773	104,621
Net interest income	463,603	507,790	552,580	409,917	419,634	357,592
Fees and commissions income	1,061,812	612,109	548,793	407,230	381,120	324,772
Fees and commissions expense	(1,031,375)	(599,811)	(566,461)	424,751	419,880	357,801
Net fees and commissions income (expense)	30,437	12,298	(17,668)	(17,521)	(38,760)	(33,029)
Dividend income	8,709	10,154	5,836	5,836	6,752	5,754
Net gain on financial instruments at FVTPL (K-IFRS 1109)	-	2,749	1,375	1,055	1,002	854
Net gain on financial instruments at FVTPL (K-IFRS 1039)	1,514	-	-	-	-	-
Net gain on AFS financial assets (K-IFRS 1039)	254	-	-	-	-	-
Financial assets at amortized cost	3,857	35,345	17,766	17,687	27,056	23,056
Impairment losses due to credit loss	221,863	244,762	254,823	190,524	150,709	128,427

General and administrative expenses	163,536	170,765	190,062	136,439	145,997	124,412
Other net operating income (expense)	(1,113)	13,963	14,857	14,059	19,365	16,502
Operating income	122,862	166,772	129,861	104,070	138,343	117,889
Non-operating income (expenses)	780	(259)	20,160	19,963	2,064	1,759
Net income before income tax expense	122,082	166,513	150,021	124,033	140,407	119,648
Income tax expense	29,348	39,979	35,824	29,202	32,996	28,118
Net income	92,734	126,534	114,197	94,831	107,411	91,530
(Net income after the provision of regulatory reserves for credit loss)	31,588	81,908	93,475	50,753	85,512	72,869
Remeasurement of the net defined benefit liability	310	(1,125)	1,004	(2,849)	(1,627)	(1,386)
Items that will not be reclassified to profit or loss	310	(1,125)	1,004	(1,576)	(8,068)	(6,875)
Net gain on valuation of financial assets at FVTOCI	-	(1,531)	(2,120)	1,273	(6,441)	(5,489)
Net gain on valuation of AFS financial assets (Continued)	4,808	-	-	-	-	-
Cash flow hedging gains or losses on valuation of derivatives	1,822	(5,370)	(2,222)	(1,917)	(5,539)	(4,720)
Gain(loss) on foreign currency translation of foreign operations	(212)	(224)	923	939	2,456	2,093
Items that may be reclassified to profit or loss	6,418	(7,125)	(3,419)	(978)	(3,083)	(2,627)
Other comprehensive income, net of tax	6,108	(8,250)	(2,415)	(2,554)	(11,151)	(9,502)
Total comprehensive income	98,842	118,284	111,782	92,277	96,260	82,028
Net income attributable to:	92,734	126,534	114,197	94,831	107,411	91,530
Owners	92,734	126,534	114,197	94,831	107,411	91,530
Non-controlling interests	-	-	-	-	-	-
Total comprehensive income attributable to :	98,842	118,284	111,782	92,277	92,260	78,620
Owners	98,842	118,284	111,782	92,277	92,260	78,620
Non-controlling interests	-	-	-	-	-	-
Net income per share	530	706	637	529	593	505

	As of December 31,			As of September 30,	
	2017	**2018**	**2019**	**2020**	**2020[1]**
	(in millions of Won and thousands of U.S. dollars, except per share data)				
Assets					
Cash and cash equivalents	626,061	362,202	116,201	419,010	357,060
Financial assets at fair value through	-	87,753	85,086	76,390	65,096

other comprehensive income ("FVTOCI")					
AFS financial assets	87,633	-	-	-	-
Financial assets at amortized cost	-	9,425,657	9,646,971	10,164,231	8,661,467
Loans and receivables	7,793,507	-	-	-	-
Premises and equipment	20,193	22,565	56,868	50,380	42,931
Intangible assets	33,856	35,768	43,338	43,740	37,273
Deferred tax assets	28,049	32,382	41,377	40,230	34,282
Derivatives assets	1,193	263	9,366	11,355	9,676
Net defined benefit assets	1,487	343	887	-	-
Other assets	19,259	20,467	87,248	21,001	17,896
Total assets	8,611,238	9,987,400	10,087,342	10,826,337	9,225,681
Liabilities					
Borrowings	-	4,485	4,631	79,694	67,911
Debentures	6,121,803	7,039,929	7,075,968	7,347,855	6,261,487
Provisions	41,964	55,042	56,815	60,358	51,434
Net defined benefit liabilities	-	-	-	4,957	4,224
Current tax liabilities	13,485	23,623	38,279	10,982	9,358
Derivative liabilities	55,651	33,754	6,839	24,589	20,954
Other financial liabilities	626,044	1,014,051	915,988	1,050,739	895,389
Other liabilities	131,771	134,552	200,655	214,113	182,457
Total liabilities	6,990,718	8,305,436	8,299,175	8,793,287	7,493,214
Equity					
Owner's equity	1,620,520	1,681,964	1,788,167	2,033,050	1,732,467
Capital stock	896,331	896,331	896,331	896,331	763,810
Hybrid securities	-	-	-	149,913	127,749
Capital surplus	127,097	127,097	121,518	121,518	103,552
Other equity	32,542	24,292	21,876	10,750	9,161
Retained earnings	564,550	634,244	748,442	854,538	728,196
Regulatory reserves for credit loss	342,131	403,277	387,181	407,903	347,595
Planned provisions for regulatory reserve (reversal) for credit loss	61,146	(16,096)	20,722	21,889	18,653
Non-controlling interests	-	-	-	-	-
Total equity	1,620,520	1,681,964	1,788,167	2,033,050	1,732,467
Total liabilities and equity	8,611,238	9,987,400	10,087,342	10,826,337	9,225,681

Note:

(1) The U.S. dollar amounts have been translated into Won at ₩1,173.5 to US$1.00, the Market Exchange Rate as announced by Seoul Money Brokerage Services, Ltd. on September 29, 2020.

BUSINESS

Introduction

On April 1, 2013, the Issuer was established as a wholly-owned subsidiary of Woori Finance Holdings as a result of a horizontal spin-off of Woori Bank's credit card business (the "Spin-off"). On November 3, 2014, Woori Finance Holdings merged with and into Woori Bank, and the former subsidiaries of Woori Finance Holdings, including the Issuer, became Woori Bank's subsidiaries. On January 11, 2019, Woori Financial Group was established as a new financial holding company. In September 2019, the Issuer ceased to be Woori Bank's subsidiary and became Woori Financial Group's direct and wholly-owned subsidiary.

As a result of the Spin-off, the Issuer took over Woori Bank's credit card products and services, which are mainly targeted at consumers and corporate customers in Korea. The Issuer is wholly-owned by Woori Financial Group. As of September 30, 2020, the Issuer's market share based on transaction volume was approximately 8.7%, which ranked the Issuer as the sixth largest credit card issuer in Korea.

As of September 30, 2020, the Issuer also owned a 7.65% equity stake in BC Card Co., Ltd. ("BC Card"), a Korean credit card company co-owned by KT Corporation, which is one of Korea's largest telecommunications companies, as well as a private equity fund and other Korean financial institutions. BC Card operates the largest merchant payment network in Korea as measured by transaction volume. The Issuer's ownership of BC Card allows the Issuer 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 the Issuer's credit card operations.

The Issuer is a specialized credit card company and offers its products and services through a network of 860 nationwide branches of Woori Bank and 37 branches of its own located throughout Korea as of September 30, 2020.

The Issuer's card sales branches recruit new Accountholders (as defined below) and conduct marketing activities in Korea. The Issuer's installment sales branches also conduct marketing activities and provide installment finance services. Although the Issuer's card sales branches recruit new Accountholders and provide credit card related services, such branches do not provide installment finance related services. As of September 30, 2020, the Issuer had 24 card sales branches and 13 installment sales branches throughout Korea. As of December 31, 2017, 2018 and 2019, and as of September 30, 2020, personal credit cardholders of Woori Card amounted to 5.75 million, 6.06 million, 6.25 million and 6.46 million, respectively.

The Issuer's total assets was ₩8,611 million, ₩9,987 million and ₩10,087 million as of December 31, 2017, 2018 and 2019, respectively, and ₩10,826 million as of September 30, 2020. The Issuer's net income was ₩92,734 million, ₩126,534 million and ₩114,179 million for the years ended December 31, 2017, 2018 and 2019, respectively, and ₩94,831 million and ₩107,411 million, respectively, for the nine months ended September 30, 2019 and 2020, respectively. As of September 30, 2020, the Issuer's capital adequacy ratio, determined in accordance with FSC requirements, was 20.36%.

As of September 30, 2020, the Issuer had 715 full-time, permanent employees and 111 contract and part-time employees who are employed on a temporary basis. The Issuer's headquarters are located at 50, Jong-Ro 1-Gil, The-K Twin Towers, Jongno-gu, Seoul 03142, Korea.

Financial Holding Company Structure

Woori Financial Group was established as a new financial holding company on January 11, 2019 pursuant to a "comprehensive stock transfer" under Korean law, whereby holders of the common stock of Woori Bank and certain of its subsidiaries transferred all of their shares to Woori Financial Group and in return received shares of Woori Financial Group's common stock. The stock transfer was approved by the shareholders of the Issuer at an extraordinary general meeting held on December 28, 2018. In the stock transfer, each holder of one share of the Issuer's common stock recorded in its shareholder register as of November 15, 2018 received one share of Woori Financial Group's common stock. In addition, Woori Financial Group issued its common stock to the Issuer in exchange for the outstanding common shares. For more information on the financial holding company structure, see "Woori Financial Group."

Strategy

The Issuer strives to optimize its business strategies as a bank-affiliated credit card company, utilizing Woori Bank's broad networks, sales power and customers, and actively seeks new business opportunities with potential to become future growth engines. The Issuer is seeking and developing products and services across multiple business areas to meet the increasing needs of its customers under the Issuer's motto, "utmost value proposition," and maintains diversified affiliations with various players and companies across industries. The Issuer also signed diverse mutual consignments with Woori Bank.

As the only specialized credit financial business operator within Woori Financial Group, the Issuer contributes in diversifying customer portfolio and increasing profit of the group. As a form of retail finance, credit card industry can lock customers into the group's other linked services if it can expand the number of cardholders with attractive card products. The following are the Issuer's main business strategies:

- Strengthen credit card business by continuously enrolling credit sales;
- Increase profit through card finance and associated businesses;
- Acquire new customers through installment finance; and
- Perform non-banking loan activities.

In furtherance of developing new growth engines, the Issuer acquired licenses for installment, rental, lease and new technology finance from the FSC and started installment finance in November 2015, lease finance in May 2016 and rental finance in July 2016. These new businesses allow the Issuer to cover new customers who are not existing cardholders of the Issuer and create synergies with Woori Bank. In October 2016, the Issuer acquired a micro-finance license in Myanmar and established TUTU Finance-WCI Myanmar, a wholly owned subsidiary of the Issuer that started business in December 2016. After recording net loss of US$0.3 million in each of 2017 and 2018, TUTU Finance-WCI Myanmar recorded net income of US$2.3 million in 2019. It recorded net income of US$1.5 million and US$2.5 million for the nine months ended September 30, 2019 and 2020, respectively. The Issuer plans to further strengthen its Myanmar business by developing new financial products and promoting corporate social responsibilities. Furthermore, the Issuer plans to expand various credit card businesses in Southeast Asia in the near future.

As part of the strategic initiative to preemptively respond to the growing demands for digital finance as well as the declining profitability of the traditional credit card business, the Issuer plans to continuously promote digital transformation.

Business Overview

The Issuer's Principal Activities

The Issuer's principal business is the provision of credit card services. Revenue from credit card services accounted for approximately 91.4%, 87.1% and 86.6% of the Issuer's operating revenue for the years ended December 31, 2017, 2018 and 2019, respectively, and 84.3% and 84.1% for the nine months ended September 30, 2019 and 2020, respectively. Revenue from installment financing and lease operations accounted for approximately 0.7% and 0.1% of the Issuer's operating revenue in 2017, respectively, 1.7% and 0.5% of the Issuer's operating revenue in 2018, respectively, 1.4% and 0.9% of the Issuer's operating revenue in 2019, respectively, 1.3% and 0.8% of the Issuer's operating revenue for the nine months ended September 30, 2019, respectively, and 1.9% and 1.4% of the Issuer's operating revenue for the nine months ended September 30, 2020, respectively.

Under the Issuer's business model, each new customer enters into one or more agreements (each, a "Card Agreement") with the Issuer, which governs their account with the Issuer (each, an "Account") and the issuance of credit cards and/or check cards to the customer (the "Accountholder"). The standard terms of each Card Agreement may vary depending on the type of card to be issued to the Accountholder. Although the Accountholder may nominate family members to receive the cards issued under the Account, the Accountholder remains the primary obligor under the Account. The Issuer may alter the terms of a Card Agreement by giving one month's notice to the Accountholder.

The Issuer offers the following services to holders of its credit cards:

- Credit card services providing the Accountholder with limited credit to purchase products and services, for which payment must be made either (i) in full at the end of a monthly billing cycle (the "Lump Sum Basis") or (ii) on a revolving basis subject to a minimum monthly payment which is the lesser of (x) 10.0% of the amount outstanding or (y) ₩50,000 (the "Revolving Payment"). The remaining outstanding balance generally accrues interest at the effective annual rates of approximately 5.4% to 22.9%.

- The option to purchase products and services on an installment basis for which payments in equal amounts must be made over a fixed term ranging from two months to 36 months and generally accrue interest at the effective annual rates of approximately 9.5% to 20.5%.

- Cash advances from most automatic teller machines ("ATM") in Korea (the "Cash Advance"), for which payment must be made by the Lump Sum Basis or the Revolving Payment. The Cash Advances on a Lump Sum Basis generally accrue interest at the effective annual rates of approximately 6.4% to 23.8%. Customers who have applied for the Revolving Payment option prior to March 5, 2009 can use Cash Advances on a revolving basis.

- Card loans, which may be unsecured, and for which payment must be made on an equal principal installment basis over an initial fixed term of 3 to 36 months, in full at maturity or for which interest- only payments may be made during the initial grace period and monthly principal and interest payments during the remaining period. The outstanding principal amount of card loans currently accrue interest at the effective annual rates of approximately 4.0% to 19.9%. Outstanding credit card receivables can also be restructured to loans for delinquent payment for which is made on an installment basis over the maximum term of 60 months. The outstanding principal amount of restructured card loans currently accrue interest at the effective annual rates of approximately 5.0% to 22.0%.

The Accounts

As a specialized credit card company and a subsidiary of Woori Bank, the Issuer is in a very strong position to attract existing Woori Bank customers through the existing network of Woori Bank's marketing channels. The Issuer offers a broad range of products to its customers, including insurance and travel services as well as more than 472 different personal credit and check cards as of September 30, 2020. The Issuer has responded to customer feedback by offering a more simplified and streamlined portfolio of credit cards, while also pursuing higher net worth individual customers with cards carrying enhanced premium benefits such as airport lounge services. In addition, the Issuer recently started offering installment finance for rental and lease payments to customers.

As a wholly-owned subsidiary operating Woori Bank's credit card business, the Issuer has the following principal brands of credit cards:

- Woori;

- BC Card; and

- VISA, MasterCard, JCB and UnionPay.

All international brands such as VISA, MasterCard, JCB and UnionPay cards are issued directly by the Issuer under a non-exclusive license agreement.

Each Accountholder is allocated a credit limit, and the Issuer evaluates the limits monthly and advises each Accountholder of the credit limit relating to its Card(s) in a monthly billing statement. A sub-limit is established for Cash Advances. The Cash Advances limit cannot exceed 40% of the overall credit limit established for the Account and is generally between 22% and 34% of the total credit limit established for the Account. Additionally, a separate limit for Installment Purchases is established with respect to Accountholders who have delinquency histories or other latent risks.

Accountholders are required to settle their outstanding balances in accordance with the Card Agreement. Accountholders may choose the monthly settlement date between the first and the twenty-seventh day of a month (both inclusive). Settlement dates on the first day of the month or around the end of each month are the most popular since salaries in Korea are commonly paid at the end of the month.

Origination

The Issuer markets and originates new accounts through the following five channels:

- Marketing through Woori Bank: Employees of Woori Bank branches are encouraged to engage with prospective customers. This marketing channel has consistently been the most significant source of new customers for the Issuer.

- Marketing through Sales Agents: The use of external sales agents from card agencies is a highly effective marketing channel for attracting new customers.

- Co-branding and Affiliation-related Solicitation: The Issuer attracts new customers through the officers and employees of affiliated vendors that have a strategic alliance with the Issuer.

- Marketing through the Internet: The Issuer’s website is a valuable customer solicitation tool.

- Telemarketing: Employees of the Issuer are encouraged to find prospective customers. Currently, the referral commission is paid to the employee based on the number of new cards issued. The Issuer plans to amend the commission program to take into account other values in calculation of commission.

Potential customers complete an application form for a card, specifying personal details such as salary, employment, employer, address and residence status. The application will also specify the credit limit requested.

Underwriting

The Issuer 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*. The Issuer verifies basic information by requesting certain documents from the applicant, initiates contact with the applicant (usually by telephone) and analyzes the applicant’s personal credit history together with financial and default information gathered from third-party sources and its internal database using statistical methods. The analysis considers various factors including employment, default status and historical relationships with the Issuer and any delinquency history with other credit card companies. The Issuer also reviews information about an applicant obtained from external databases maintained by the Korea Federation of Banks and Nice Information Service Co., Ltd. ("NICE").

- *Application Scoring System Process*. The application scoring system of the Issuer 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 generally receives the new card within one week after making an application. The Issuer 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.

Risk Analysis

Credit Card Review and Monitoring

The Issuer 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 the Issuer's credit cards, using both internally generated information and information from external sources. The Issuer uses a statistical method to analyze this information and estimate each customer's creditworthiness on a monthly basis. The credit risk management system is an integral part of the credit practices of the Issuer 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 weights 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. The Issuer 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.

The Issuer'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 the customer's likely spending pattern when using a new credit card product and analyze 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.

The Issuer'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

The Issuer has developed 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 the Issuer to find defaults and signs of potential delinquency in advance, monitor those problematic credits properly before any default or delayed payment occurs and keep track of information on the credit status of borrowers. Updated information is inputted when it becomes available, either automatically from internal and external sources or manually. The Issuer also monitors borrowers' credits through on-line credit reports that are provided by KED (Korea Enterprise Data) and NICE (NICE Information Service).

After gathering this information, the Issuer's early warning 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 notifies 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 credit limit, a re-evaluation of the loan or the taking of other preventative measures.

Credit Card Renewal

Renewing a card means the process of re-issuing the card when it expires. Renewal of the card is provided to cardholders who are not in delinquency with the Issuer or any other institution. Eligibility for renewal is determined seven months prior to the expiration of the card. Cardholders with declining credit scores are carefully monitored and renewals are limited.

Finance Charges and Fees

The Issuer's revenues 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.

For cash advances, finance charges start accruing immediately following the cash withdrawal. The Issuer currently charges a periodic finance charge on the outstanding balance of cash advance of approximately 6.4% to 23.8% per annum. The periodic finance charge assessed on such balances is calculated by multiplying the daily installment balances for each day during the billing cycle by the applicable periodic finance charge rate, and aggregating the results for each day in the billing period. In addition to finance charges, cardholders using cash advance networks operated by companies that are not financial institutions (such as Hannet and NICE) are charged a minimum commission of ₩700 and a maximum of ₩900 per withdrawal.

The Issuer outsources the management of merchants to BC Card. The Issuer charges 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, ranging from 1.5% to 2.5% of the purchased amount. As of December 31, 2019, the Issuer charged merchants an average of 1.31% of their respective total transaction amounts. In addition to merchant fees, the Issuer receives nominal interchange fees for international card transactions.

Each cardholder is allocated an aggregate credit limit in respect of all cards issued under his or her account and each month. The Issuer advises 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. The Issuer conducts 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 the Issuer uses to monitor their behavior, even if the cardholder continues to make timely payments in respect of his or her cards.

Payments on amounts outstanding on the Issuer's credit cards must be made (at the cardholder's election at the time of purchase) either in full on each monthly payment date or in equal monthly installments over a fixed term from two months to 36 months, in the case of installment purchases. The Issuer considers 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. If an Account is delinquent, a delinquency fee is charged, calculated on the principal balance owed and the period of delinquency, measured in days. The delinquency fee rate ranges from 9.0%. to a maximum rate of 23.9% per annum. For installment purchases, the Issuer charges 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, the Issuer currently apply an interest rate between approximately 9.5% and 20.5% per annum as determined by the cardholder's application system score.

The Issuer also generally charges a basic annual membership fee up to ₩1,000,000 for the Issuer's credit cards, which is determined 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, the Issuer will waive membership fees if customers make payments above a certain amount.

Mark-up fees, borne by the cardholder, are charged for international purchases made on a Lump Sum Basis. Visa International Service Association and MasterCard International Inc. each charges a mark-up fee of 1% for each transaction.

Servicing

Transaction Approval Process

Credit card transaction approvals are primarily conducted electronically through the "valued-added network" of e-companies ("VAN companies") and BC Card. VAN companies collect transaction information and send it to BC Card and the Issuer for approval. During the real time approval process, the Issuer instantly checks whether the transacting party is an approved Cardholder, whether the card has been stolen or terminated, whether the merchant is registered with the Issuer and whether the transaction amount exceeds approved credit limits. After the transaction approval, BC Card matches the approval information and the merchant invoices before making payment to the merchants.

Billing Process

The Issuer sends a billing statement to the relevant Accountholder which includes charges incurred on all cards issued under his or her Account and amounts due under any outstanding card loans, by physical mailing or electronic mail. Billing statements are also available online by password controlled access to the Issuer's internet web site. The Issuer offers a variety of payment dates to each Accountholder. See "– Business Overview – The Accounts" above. Each statement consolidates all activity during the month on each card issued under the Account.

Verification and Payments to Merchant

Prior to making payment to merchants, the Issuer verifies the validity of the sales transaction information.

Upon completion of the verification process, the Issuer makes payment to the merchant generally within two business days after receipt of the transaction information.

Payment methods

Auto Debit

A majority of cardholders use the Auto Debit repayment method, whereby the Issuer automatically withdraws payments from a bank account designated by the Cardholder or borrower with an allied bank or member of the Cash Management Service ("CMS") network of Korea Financial Telecommunications and Clearings Institute.

CMS

An alternative method of repayment offered to cardholders is the CMS. If a Cardholder chooses the CMS option, the Cardholder completes a CMS application form (obtained from one of the financial institutions listed below) to request a money transfer to the collection account of the Issuer established at the same institution. Cardholders can make a real time CMS payment over the telephone or via internet banking. Banks participating in the CMS system are Woori Bank, Industrial Bank of Korea, Hana Bank, Standard Chartered Bank Korea Limited, Kwangju Bank, Woori Bank, Kookmin Bank, The Daegu Bank Ltd, Kyongnam Bank Co., Ltd., Busan Bank, The Jeonbuk Bank Ltd, NongHyup Bank and the Korean Postal Service.

ARS and Internet

Cardholders can check amounts due for a billing cycle using ARS or via the internet. The Cardholder designates an account for payment from which the Issuer immediately draws the payment amount.

Delinquencies

Failure to make full payment of billed amounts by the payment due date will cause late fees to accrue.

The Issuer has a contractual right to declare an event of default and accelerate the maturity of any installment purchase a Cardholder fails to repay for more than two consecutive months. In practice, however, the Issuer will take such action only when payments on an installment purchase have been delinquent for more than four months.

Restructuring

For certain customers, the Issuer may offer to restructure delinquent payments allowing the Cardholder to make payments in installments. In general, the payment terms for restructured loans consist of an optional down payment and subsequent mandatory monthly interest and principal payments. The restructured loan payment period is subject to a maximum length of 60 months. The Issuer requires prepayment of a certain amount of the outstanding delinquent principal amount. These restructured loans do not form part of the Receivables Pool. Any accounts which become restructured accounts will cease to be eligible accounts.

Charge-offs

With FSS approval, the Issuer can charge-off debts on a quarterly basis for balances with an estimated loss of over ₩10 million. No minimum delinquency period or collection effort is required for charge-offs. Debts that have been delinquent for over three months and the Issuer believes they are no longer collectable are subject to charge-offs. The Issuer's net charge-offs were ₩180,700 million, ₩206,900 million and ₩228,230 million for the years ended December 31, 2017, 2018 and 2019, respectively. The Issuer's net charge-offs were ₩164,456 million and ₩141,544 million for the nine months ended September 30, 2019 and 2020, respectively.

Funding

The Issuer seeks to maintain stable, diversified and low cost funding. The Issuer's principal sources of funding are debentures, borrowings and asset backed securitizations. The Issuer's other sources of funding are call money and commercial paper. To maintain a diversified funding structure, the Issuer aims to reduce gradually its domestic funding and asset backed securitizations whilst increasing international bond issuances.

While being a member of the Woori Financial Group provides further stability and ensures low cost funding, the Issuer's funding strategy is to secure its necessary funding on its own and to resort to funding from the Woori Financial Group only to the extent necessary. Under the Monopoly Regulation and Fair Trade Act, a company may not provide loans to its affiliates under substantially favorable terms, and the total liabilities of a holding company, with some exceptions, may not exceed twice its total capital (referring to an amount obtained by deducting the total liabilities from the total assets on the statement of financial position).

The following table sets forth the principal sources of the Issuer's funding for the periods indicated.

	September 30, 2020			2019			2018		
	Average Balance		Avg. interest rate	Average Balance		Avg. interest rate	Average Balance		Avg. interest rate
	Balance	Ratio		Balance	Ratio		Balance	Ratio	
	(in 100 millions of Won, except percentages)								
Domestic									
Call-Money	-	-	-	-	-	-	-	-	-
Borrowing	1,449	1.53	2.28	-	-	-	-	-	-
Debentures	58,675	61.85	2.19	59,693	64.45	2.42	60,477	66.19	2.43
Others	7,047	7.43	-	7,562	8.17	-	6,503	7.11	-
Sub-Total	67,171	70.80	1.87	67,255	72.62	2.35	66,980	73.31	2.40
Offshore									
Debentures	924	0.97	1.61	743	0.80	1.96	568	0.62	1.96
Borrowings	-			-	-	-	-	-	-
Other liabilities	7,872	8.30	1.57	6,733	7.27	2.08	6,988	7.64	2.08
Sub-total	8,796	9.27	1.54	7,476	8.07	2.33	7,556	8.27	2.33
Equity	18,902	19.92	-	17,882	19.31	-	16,819	18.41	-
Total	**94,869**	**100.00**	**1.52**	**92,613**	**100,00**	**1.65**	**91,355**	**100.00**	**1.66**

Capital Adequacy

The FSC establishes laws and regulations in order to enhance the safety and soundness of specialized credit financial companies and avoid potential financial incidents. According to the standard, specialized credit financial companies shall maintain at least 8% of adjusted capital ratio and report the adjusted capital ratio to the Financial Service Commission on a quarterly basis. The adjusted capital ratio is calculated as adjusted net capital divided by adjusted total assets. The adjusted total assets and adjusted net capital are based upon the statements of financial position and adjusted by the regulation that considered standards of the Bank for International Settlements and the nature of specialized financing service.

Adjusted total asset consists of total asset less the following items: cash, short-term deposits not pledged as collateral, government bonds with maturity of three months or less from the acquisition date and deductible items. In case of specialized credit financial companies that have adopted K-IFRS, reserve for bad debts and cumulative unrealized gain on valuation of loans are deducted from the adjusted total asset.

Adjusted net capital comprises the sum of basic and supplementary capital (limited by the extent of the basic capital) less deductible items. Supplementary capital is composed of allowance for credit losses in respect of credits classified as normal or precautionary (i.e., allowance for loans from customers who have never been delinquent, including provision for unused loan commitments and reserve for bad debts) and unsecured subordinated debts. In case of unsecured subordinated debts, there is a prohibition on early repayment of the debts. The amount of the unsecured subordinated debts is up to 100% of the basic capital if the maturity of the debt is longer than 10 years. If the maturity of the debt is longer than five years, the amount is limited to 50% of the basic capital. If the subordinated debt matures in five years, 20% of the subordinated debt is annually deducted from the supplementary capital. In this case, the amount less than 1.5% of total asset excluding provisions for unused loan commitments is added to the supplementary capital.

As of September 30, 2020, the Issuer met the regulatory requirement for the adjusted capital ratio.

	As of December 31,			As of September 30,
	2017	**2018**	**2019**	**2020**
		(in percentages)		
Adjusted Capital Ratio	20.74	18.08	18.33	20.36
Non-Adjusted Capital Ratio	14.98	13.54	14.29	14.00

Competition

The Issuer competes principally with existing "monoline" credit card companies, credit card divisions of commercial banks, consumer finance companies, other financial institutions and, recently credit card service providers that have allied with mobile telecommunications service providers in Korea. Competition has been historically intense in this sector and the market has shown signs of saturation as existing and new credit card service providers, such as KB Kookmin Card Co., Ltd., spun off from KB Financial Group in March 2011, have made significant investments and engaged in aggressive marketing campaigns and promotions to acquire new customers and target customers with high credit quality. While competition has subsided somewhat recently due to stricter government regulations, such as curbs on excessive marketing expenses, competition remains intense and credit card issuers may continue to compete with the Issuer for customers by offering lower interest rates and fees, higher credit limits, more attractive promotions and incentives and alternative products, such as mobile cards, gift cards and low-interest consumer loan products. As a result, the Issuer may lose customers or service opportunities while competing with other credit card issuers and/or incur higher marketing expenses. In addition, recent government regulations mandating lower merchant fees chargeable to small and medium-sized businesses are likely to reduce the revenues of credit card companies, including the Issuer. See "Risk Factors—The Issuer's fee income may be adversely affected by the Guidelines on Adjustment of Credit Card Merchants Commission Rates or other Governmental measures or policies." Customer attrition, together with any further lowering of fees or reduction in base and market interest rates and/or more extensive marketing and promotional campaigns that the Issuer might implement to acquire and retain customers, could reduce its revenues and earnings. Furthermore, the average credit quality of the Issuer's customers may decline if customers with higher credit quality borrow from the Issuer's competitors rather than from the Issuer.

As a result, banks are beginning to compete for new customers and it is likely that competition among bank-operated credit card companies and independent credit card companies will increase substantially. As the market further saturates as a result of this common focus and as the volume of transactions as well as the number of cardholders reaches maturity, it is expected that the market growth will significantly decrease. As a result, it may become increasingly difficult for the Issuer to attract new customers who meet the credit criteria set by the Issuer. Due to these market factors, the Issuer may have to focus even further on obtaining and retaining high credit quality customers. All in all, the growth and profitability of the Issuer's credit card operations may decline as a result of intense competition and growing market saturation in this sector.

The ability of the Issuer to preserve or continue to grow its assets in the future will depend on, among other things, its success in developing and marketing new products and services, its capacity to generate funding at commercially reasonable rates and in amounts sufficient to support preservation of assets and further asset growth, its ability to develop the personnel and system infrastructure necessary to manage its growth and increasingly diversified business operations and its ability to manage increasing delinquencies. In addition, external factors such as competition and government regulations in Korea may limit the Issuer's ability to maintain its growth. Also, economic and social developments in Korea, such as changes in consumer confidence levels, spending patterns or the public perception of credit card usage and consumer debt, could have an adverse impact on the growth rate of the Issuer's asset portfolio in the future. Furthermore, if the Issuer fails to simultaneously manage its asset quality and its asset growth or sacrifices asset quality in exchange for asset growth, its delinquency ratio may be adversely affected. If the growth rate of the Issuer's assets declines or becomes negative or its delinquency ratio increases, its results of operations and financial condition may be adversely affected. See "Risk Factors—Competition in the Korean credit card industry is intense and the growing market saturation in the credit card industry may adversely affect the growth prospects and profitability of the Issuer."

Information Technology

The Issuer dedicates substantial resources to maintaining a sophisticated information technology system to support its operations management and provide high quality customer service. The Issuer's information and technology system is operated by Woori Financial Group at a group-wide level based on comprehensive group-wide information collection and processing. Woori Financial Group also operates a single group-wide enterprise information technology system for customer relations management capabilities, risk management systems and data processing. Woori Financial Group continually upgrades its group-wide information technology system in order to apply the best-in-class technology to its risk management systems and risk thresholds to reflect the changes in its business environment as well as enhance differentiation from its competitors.

In order to enhance security and trustworthiness of the financial services provided by its subsidiaries, Woori Financial Group seeks to continually enhance a group-wide set of standards for information security and upgrading the related systems.

The Issuer also continues to upgrade the information technology systems to enhance the quality of its customer service and thereby bolster its competitiveness, including with respect to electronic and mobile banking, online consultation, expanded sales services and customized informational services. In addition, the Issuer has recently strengthened its indirect service channels through a major upgrade of its corporate online banking services and expansion of mobile phone-based product offerings and sales and service networks in light of the growing base of customers who increasingly access financial services through their mobile phones. The Issuer's main mobile application, Woori Card Smart App, provides customers with access to various functions including card application, bill payment, finance, rewards and promotions through their mobile phones. In addition, the Issuer operates "Woori Pay", a secure and easy-to-use mobile payment service, "Wibee Members", a membership rewards management service and "Wibee Market", an online open market platform.

Legal Proceedings

The Issuer is involved in various legal actions and regulatory proceedings arising from the normal course of its business. As of September 30, 2020, the Issuer was a defendant in 17 pending lawsuits in the aggregate claim amount of ₩1.20 billion and a plaintiff in 16 pending lawsuits in the aggregate claim amount of ₩5.42 billion. The Issuer's management believes, based on currently available information, that these lawsuits and proceedings, in the aggregate, will not have a material adverse effect on its financial condition or results of operations. However, it is difficult to predict the final outcome of these proceedings, the total amount in dispute may increase during the course of litigation, and other lawsuits may be brought against the Issuer. Accordingly, we cannot assure you that these or other proceedings and related events will not have an adverse effect on the Issuer or the price of the Notes. For further details, see Note 31 to the Issuer's unaudited consolidated interim financial statements as of September 30, 2020 and for the nine months ended September 30, 2019 and 2020 included elsewhere in this Offering Circular.

In February 2019, the Korea Communications Commission issued an institutional warning to and imposed a fine of ₩7 million on the Company for alleged negligence in encrypting customer information and disposing of such information after it was no longer in use. In January 2020, the Financial Supervisory Service issued a warning to two former officers of the Company for alleged failure to report suspicious transactions and verify customers. In September 2020, the Financial Supervisory Service issued an institutional warning to and imposed a fine of ₩49.8 million on the Company in connection with the following two charges: (a) an alleged procedural violation in connection with the major shareholder's subscription of new shares in the Company and (b) an alleged failure to dispose of the personal information of customers whose engagement with the Company have been terminated. The Financial Supervisory Service also issued separate warnings to three former officers of the Company who were involved in such incidents.

MANAGEMENT AND EMPLOYEES

Management

Board of Directors

The Issuer's board of directors has the ultimate responsibility for managing the Issuer's affairs through several governing bodies. The board currently comprises two standing directors, one non-standing director and four outside directors. Standing directors are directors who are either the Issuer's full-time executive officers or the Issuer's standing Audit Committee members, while non-standing directors and outside directors must not engage in the regular business of the Issuer and outside director must satisfy certain eligibilities under Korean law and the Issuer's articles of incorporation to evidence their independence from the Issuer.

The Issuer's articles of incorporation provide that the board can have no less than four directors.

Standing directors must comprise less than 50% of the total number of directors, and there must be at least three outside directors. Each director may be elected for a term of office not exceeding three years and may be re-elected, provided that each outside director may be elected for a term of office not exceeding two years and may be re-elected on an annual basis but may not serve in such office for more than five consecutive years. In addition, with respect to all directors, such term of office is extended until the close of the annual general meeting of shareholders convened in the last fiscal year of the director's term of office. These terms are subject to the Korean Commercial Code and related regulations.

The Issuer's 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 the president or chairman of the board. A director (other than the president or chairman of the board) may request the president or chairman of the board to convene an extraordinary meeting. In the event that the president or chairman of the board rejects such request without justifiable reason, another director may convene the extraordinary meeting.

The names and positions of the Issuer's directors are set forth below. The business address of all of the directors is the Issuer's registered office at 50, Jong-Ro 1-Gil, The K-Twin Tower, Jongno-gu, Seoul, Korea.

Standing Directors

Name	Year of Birth	Position	Standing Director Since	Date Term Ends
Kim, Jeong Ki	1962	President	December 31, 2020	December 30, 2023
Lee, Sang Woo	1957	Standing Audit Committee Member	March 26, 2019	March 26, 2022

Kim, Jeong Ki has been a President since December 31, 2020. Mr. Kim previously served as a vice president at Woori Financial Group. Mr. Kim received his bachelor's degree in agricultural economics from Chungbuk University.

Lee, Sang Woo has been the Issuer's Standing Audit Committee Member since March 26, 2019. Mr. Lee previously served as a vice president at the Korean Center for International Finance. Mr. Lee received his bachelor's degree in business administration from Seoul National University.

Non-Standing Director

Name	Year of Birth	Position	Director Since	Date Term Ends
Lee, Seok Tae	1964	Non-standing Director	December 31, 2020	December 30, 2023

Lee, Seok Tae has been a Non-standing Director since December 31, 2020. Mr. Kim currently serves as a vice president at Woori Financial Group. Mr. Lee received his bachelor's degree in business administration from Chung-ang University.

Outside Directors

The Issuer's outside directors are selected based on their experience and knowledge in diverse areas, which include law, finance, economics, management and accounting. The Issuer currently has five outside directors. All were nominated by the Board of Directors Management Committee.

Our outside directors are as follows:

Name	Year of Birth	Position	Director Since	Date Term Ends
Kim, Yeong Seop	1948	Outside Director	March 26, 2019	March 26, 2021
Rowe, Sung J.	1964	Outside Director	March 22, 2018	March 26, 2021
Kim, Hong Suk	1966	Outside Director	March 22, 2018	March 26, 2021
Park, Rae Soo	1967	Outside Director	March 20, 2020	March 26, 2022

Kim, Yeong Seop has been an Outside Director since March 26, 2019. Mr. Kim is currently an adviser at Bae, Kim & Lee LLC. Mr. Kim received his bachelor's degree in economics from Seoul National University.

Rowe, Sung J. has been an Outside Director since March 22, 2018. Mr. Rowe is currently an outside director at Home & Shopping. Mr. Rowe received his master's degree in business administration from George Washington University.

Kim, Hong Suk has been an Outside Director since March 22, 2018. Mr. Kim received his bachelor's degree in law from Seoul National University.

Park, Rae Soo has been an Outside Director since March 20, 2019. Mr. Park is currently a professor at Sookmyung Women's University. Mr. Park received his bachelor's degree in business administration from Seoul National University.

Executive Officers

In addition to the standing directors who are also the Issuer's executive officers, the Issuer currently has the following 14 executive officers. None of the executive officers is involved in any significant business activities outside of the Issuer and Woori Financial Group.

Name	Year of Birth	Position	Executive Officer Since	Date Term Ends
Heo, Jeong Jin	1957	Executive Vice President	December 10, 2018	December 09, 2021
Rhee, Heon Joo	1963	Executive Director	January 04, 2016	December 31, 2021
Noh, Sang Joo	1962	Executive Director	April 01, 2019	March 31, 2021
Kim, Jong Yoon	1963	Executive Director	April 01, 2019	March 31, 2021
Kim, Yong Suk	1960	Executive Director	April 01, 2019	March 31, 2021
Cho, Seong Lack	1962	Executive Director	April 01, 2017	December 31, 2021
Hong, Yun Ki	1965	Director	April 01, 2020	March 31, 2022
Lee, Kee Beom	1963	Director	April 01, 2020	March 31, 2022
Kim, Wang Soo	1962	Director	April 01, 2020	March 31, 2022
Myong, Je Sun	1968	Director	June 15, 2020	June 14, 2022
Yang, Ill Dong	1965	Director	December 27,2018	December 31, 2021
Seo, Yeong Ho	1965	Director	December 27,2018	December 31, 2021
Kim, June	1966	Director	December 27,2019	December 26, 2021
Lee, In Bok	1968	Director	January 15,2021	December 31, 2022

Heo, Jeong Jin has been the Issuer's Executive Vice President since December 10, 2018. Mr. Heo previously served as vice president at Woori Bank. Mr. Heo received his bachelor's degree in commerce and trade from Kookje College.

Rhee, Heon Joo has been the Issuer's Executive Director since December 27, 2019. Mr. Rhee previously served as a General Manager at the Issuer. Mr. Rhee received his bachelor's degree in applied statistics from Yonsei University.

Noh, Sang Joo has been the Issuer's Executive Director since March 31, 2020. Mr. Noh previously served as a director at Woori Bank. Mr. Noh received his bachelor's degree in finance from Michigan State University.

Kim, Jong Yoon has been the Executive Director since March 31, 2020. Mr. Kim previously served as a director at Woori Bank. Mr. Kim received his bachelor's degree in physics from Chung-ang University.

Kim, Yong Suk has been the Issuer's Executive Director since March 31, 2020. Mr. Kim previously served as a director at Woori Bank.

Cho, Seong Lack has been the Issuer's Executive Director since January 15, 2021. Mr. Cho previously served as a Director at Issuer. Mr. Cho received his bachelor's degree in business administration from Konkuk University.

Hong, Yun Ki has been the Issuer's Director since April 01, 2020. Mr. Hong previously served as a director at Woori Bank. Mr. Hong received his bachelor's degree in law from Gangwon University.

Cho, Seong Lack has been the Issuer's Director since April 01, 2017. Mr. Cho previously served as a Manager at Issuer. Mr. Cho received his bachelor's degree in business administration from Konkuk University.

Lee, Kee Beom has been the Issuer's Director since April 01, 2020. Mr. Lee previously served as a director at Woori Bank.

Myong, Je Sun has been the Issuer's Director since June 15, 2020. Mr. Myong previously served as a director at Lotte Card Co., Ltd. Mr. Myong received his bachelor's degree in political science & international studies from Hankuk University of Foreign Studies.

Kim, Wang Soo has been the Issuer's Director since April 01, 2020. Mr. Kim previously served as a director at Woori Bank. Mr. Kim received his bachelor's degree in business administration from Hongik University.

Yang, Ill Dong has been the Issuer's Director since December 27, 2018. Mr. Yang previously served as a General Manager at the Issuer.

Seo, Yeong Ho has been the Issuer's Director since December 27, 2018. Mr. Seo previously served as General Manager at the Issuer. Mr. Seo received his bachelor's degree in English literature from Youngnam University.

Kim, June has been the Issuer's Director since December 27, 2019. Mr. Kim previously served as General Manager at the Issuer. Mr. Kim received his bachelor's degree in business administration from Sogang University.

Lee, In Bok has been the Issuer's Director since January 15, 2021. Mr. Lee previously served as General Manager at the Issuer. Mr. Lee received his bachelor's degree in Japanese language from Hankuk University of Foreign Studies.

Committees

Currently, the Issuer has four committees serving under the Board: the Audit Committee, the Risk Management Committee, the Compensation Committee and the Executive Officer Candidate Nomination Committee. The responsibilities of each of the committees are subject to the requirements under the Specialized Credit Financial Business Act (the "SCFBA") and determined by the Board pursuant thereunder.

Audit Committee

This committee consists of two outside directors (Sung J. Rowe and Rae Soo Park) and one standing director (Sang Woo Lee). The chairman is Sung J. Rowe. The Audit Committee reviews all audit and compliance-related matters and makes recommendations to the Issuer's board of directors. The Audit Committee, whose members must meet certain qualifications as experts under the Issuer's committee charter, is also responsible for the following:

- formulating, executing, evaluating and managing internal audit plans (including 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 Issuer's reporting systems in light of relevant disclosure rules and requirements to ensure compliance with applicable regulations; and
- examining internal procedures or making decisions on material matters that are related to audits as determined by the regulatory authorities, the Issuer's board or other committees.

Risk Management Committee

This committee consists of one non-standing director (Seok Tae Lee) and three outside directors (Yeong Seop Kim, Hong Suk Kim and Rae Soo Park). The chairman is Rae Soo Park. The Risk Management Committee oversees and makes determinations on all significant issues relating to the Issuer's 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 Board 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 the Issuer may 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 and approving the Issuer's business groups' risk limit requests;
- reviewing the Issuer's risk profile, including the level of risks the Issuer is exposed to and the status of the Issuer's risk management operations; and
- monitoring the Issuer's compliance with its risk policies.

Compensation Committee

This committee consists of one non-standing director (Seok Tae Lee) and three outside directors (Yeong Seop Kim, Hong Suk Kim and Sung J. Rowe). The chairman is Hong Suk Kim. The Compensation Committee is responsible for all matters relating to the following:

- evaluating management's performance in developing the Issuer's business;
- setting goals and targets with respect to executive performance; and
- determining executive compensation, including incentives and bonuses.

Executive Officer Candidate Nomination Committee

This committee consists of one standing director (Jeong Ki Kim) and two outside directors (Yeong Seop Kim and Hong Suk Kim). The chairman is Yeong Seop Kim. The Executive Officer Candidate Nomination Committee holds meetings when an Audit Committee member, an outside director or the Issuer's president and chief executive officer needs to be appointed.

Remuneration

The aggregate remuneration and benefits in kind granted by the Issuer to its registered Directors during the year ended December 31, 2019 and during the nine months ended September 30, 2020 was ₩763 million and ₩535 million, respectively.

Loans to Directors and Other Transactions

As of September 30, 2020, there were no loans outstanding made by the Issuer to its Directors, statutory auditor or senior management. There are no guarantees provided by the Issuer for the benefit of any of the Issuer's Directors, statutory auditor or senior management. None of the Directors, statutory auditor or senior management has or had any interest in any transaction effected by the Issuer that is unusual in their nature or conditions or significant to the business of the Issuer or that was effected during the current or immediately preceding year or during an earlier year and remains in any respect outstanding or unperformed.

Employees

As of December 31, 2020, the Issuer had a total of 742 full-time employees and 104 contract and part-time employees who are employed on a temporary basis. The Issuer believes that it has a good relationship with its employees. The Issuer has not experienced a work stoppage of a serious nature. The union and management negotiate and enter into a new collective bargaining agreement that is renewed every year.

The Issuer's 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. The Issuer, like most other non-banking financial institutions in Korea, grants its employee annual increases in basic wages and pays periodic bonuses and overtime. As of September 30, 2020, salaries and wages comprised approximately 30.1% of total general and administrative expenses of the Issuer. The Issuer provides a wide range of fringe benefits to its employees, including medical care assistance and educational and training opportunities.

In accordance with the Korean National Pension Law, the Issuer contributes 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. Furthermore, in accordance with the Issuer's policy and the Korean Labor Standard Law, employees with one year or more years of service are entitled, upon termination of employment, to receive a lump sum severance payment based upon the length of their service and the average of the last three months' wages. The Issuer makes provisions for accrued severance indemnities based upon the assumption that all employees terminate their employment with the Issuer at the same time. As of September 30, 2020, the accrued severance indemnities were ₩37.8 billion, approximately 86.9% of which were deposited with Woori Bank.

WOORI FINANCIAL GROUP

Introduction

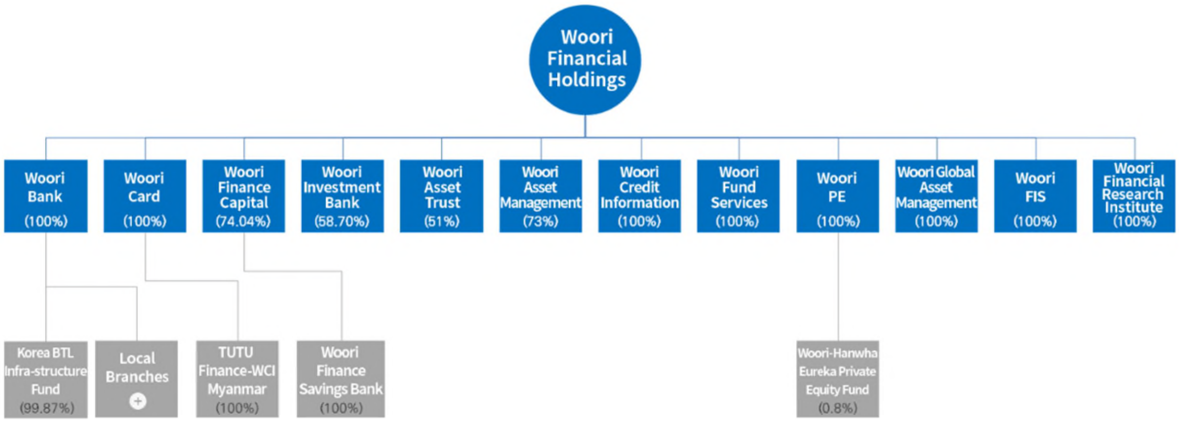
Woori Financial Group is one of the largest financial holding companies in Korea, in terms of consolidated total assets, and Woori Financial Group's operations include Woori Bank, one of the largest commercial banks in Korea. Woori Financial Group's subsidiaries collectively engage in a broad range of businesses, including corporate banking, consumer banking, credit card operations, investment banking, capital markets activities and other businesses. Woori Financial Group provides a wide range of products and services to its customers, which mainly comprise small- and medium-sized enterprises and individuals, as well as some of Korea's largest corporations. As of December 31, 2019 and September 30, 2020, Woori Financial Group had, on a consolidated basis, total assets of ₩473.8 trillion and ₩504.3 trillion, respectively, total liabilities of ₩452.3 trillion and ₩481.5 trillion, respectively, and total equity of ₩21,543 billion and ₩22.753 billion, respectively.

As of December 31, 2019, Woori Financial Group was a main creditor to 9 of the 30 largest Korean corporate borrowers and had 325,749 small- and medium-sized enterprise borrowers. Woori Financial Group has the second-largest deposit base among Korean commercial banks, and over 23.5 million retail customers, representing about half of the Korean adult population. Of these customers, over 9.6 million are active customers, meaning that they have a deposit account with Woori Financial Group with a balance of at least ₩300,000 or have a loan account with Woori Financial Group. Woori Financial Group serves its customers primarily through one of the largest banking networks in Korea, comprising 874 branches and 4,855 ATMs and cash dispensers as of December 31, 2019. Through Woori Bank, Woori Financial Group also operates 10 dedicated corporate banking centers and 81 general managers for its large corporate customers and 909 relationship managers stationed at 725 branches (as well as 412 additional non-stationed employees who serve as relationship managers as needed) for the small- and medium-sized enterprise customers as of December 31, 2019.

History and Organization

Woori Financial Group is a financial holding company that was newly established on January 11, 2019 pursuant to a "comprehensive stock transfer" under Korean law, whereby holders of the common stock of Woori Bank and certain of its subsidiaries transferred all of their shares to Woori Financial Group and in return received shares of Woori Financial Group's common stock. Woori Financial Group was established under the Financial Holding Company Act of Korea, which, together with associated regulations and a related Enforcement Decree, enables banks and other financial institutions, including insurance companies, invest trust companies, credit card companies and securities companies, to be organized and managed under the auspices of a single financial holding company. As a result of the stock transfer, Woori Bank and certain of its former wholly-owned subsidiaries – Woori FIS Co., Ltd., Woori Finance Research Institute Co., Ltd., Woori Credit Information Co., Ltd., Woori Fund Services Co., Ltd. and Woori Private Equity Asset Management Co., Ltd. –, became Woori Financial Group's direct and wholly-owned subsidiaries.

The following chart illustrates Woori Financial Group's organizational structure after the completion of the stock transfer:



After establishment, Woori Financial Group has further reorganized and expanded its operations, including through mergers, acquisitions and investments. For example:

- In August 2019, Woori Financial Group acquired a 73% equity interest in Woori Asset Management Corp. (formerly known as Tongyang Asset Management Corp.) from Tongyang Life Insurance Co., Ltd., which became its consolidated subsidiary.

- In September 2019, Woori Financial Group conducted a "comprehensive stock exchange" under Korean law with Woori Bank, the former parent company of the Issuer, whereby Woori Bank transferred all of its Woori Card shares to Woori Financial Group and in return received a combination of 42,103,377 shares of Woori Financial Group's common stock and ₩598 billion in cash, based on an exchange ratio of 0.4697442 shares of Woori Financial Group's common stock for each Woori Card share. As a result of the stock exchange, the Issuer ceased to be Woori Bank's subsidiary and became Woori Financial Group's direct and wholly-owned subsidiary. Pursuant to applicable Korean law, Woori Bank was required to dispose of the 42,103,377 shares of Woori Financial Group's common stock it received in the stock exchange within six months of its consummation and sold 28,890,707 of such shares to Fubon Life Insurance Co., Ltd. in September 2019 for ₩358 billion and 13,212,670 of such shares in block trades in November 2019. As a result of such transactions, the number of Woori Financial Group's outstanding shares of common stock increased to 722,267,683.

- In September 2019, Woori Financial Group acquired a 59.83% equity interest in Woori Investment Bank from Woori Bank, its former parent company, for a sale price of ₩383 billion. As a result of the sale, Woori Investment Bank ceased to be Woori Bank's subsidiary and became Woori Financial Group's direct consolidated subsidiary. Woori Investment Bank's common stock is listed on the KRX KOSPI Market.

- In October 2019, Woori Bank acquired a 20% equity interest in Lotte Card Co., Ltd., the eighth largest credit card issuer in Korea, according to BC Research, which is a quarterly report issued by BC Card.

- In December 2019, Woori Financial Group acquired Woori Global Asset Management Co. (formerly known as ABL Global Asset Management Co.) from Anbang Asset Management (Hong Kong) Co., Limited, which became Woori Financial Group's consolidated subsidiary.

- In December 2019, Woori Financial Group acquired an aggregate 51% equity interest in Woori Asset Trust Co., Ltd. (formerly known as Kukje Asset Trust Ltd.), consisting of (i) 44.46% from its majority shareholders, including chairman Jae-Eun Yoo, and (ii) 6.54% from Woori Bank. As part of the share purchase agreement with the former majority shareholders, Woori Financial Group has agreed to additionally acquire a 21.27% equity interest in the future, subject to certain conditions, at which point Woori Financial Group will own an aggregate 72.2% equity interest in Woori Asset Trust Co., Ltd., which is currently Woori Financial Group's consolidated subsidiary.

- In December 2020, Woori Financial Group acquired an aggregate 74% equity interest in Woori Financial Capital Co., Ltd. (formerly known as Aju Capital Co., Ltd.) from Well to Sea Investment. Woori Financial Capital Co., Ltd. became Woori Financial Group's consolidated subsidiary.

THE KOREAN CREDIT CARD INDUSTRY

Background

Credit cards were originally introduced in Korea by retailers who would issue cards to their customers as a payment method. In 1969, Shinsegae Department Store issued Korea's first domestic credit card to its shoppers.

Korean banks entered the credit card sector in 1978 when Korea Exchange Bank issued international credit card under a license agreement with VISA International, Inc., which was followed by Kookmin Bank in 1980. In 1982, several commercial banks jointly established the Bank Credit Card Association (later renamed "BC Card" in 1987), which issued cards for its participants. In addition, foreign credit card companies such as American Express Company and Diners Company International Ltd. entered the Korean market in 1980 and 1984, respectively. The enactment of the Credit Card Business Act in 1987 restricted the operation of credit card business to government-licensed firms. As a result, Korea Exchange Bank and Kookmin Bank transferred their respective credit card related operations to their affiliated companies. In the late 1980s, some Korean commercial conglomerates, also known as chaebols, such as Samsung Group and LG Group, acquired existing credit card companies and entered into the credit card market. The entrance of new credit card companies that were affiliated to banks, which had a well-established customer base, and chaebols contributed to the broadening use of credit cards in Korea.

Currently, the Korean credit card industry (excluding independent merchants providing credit cards for sole use with such merchants) is comprised of 11 banks with credit card operations and eight independent credit card companies, five of which are bank-affiliated credit card companies and three of which are "monoline" credit card companies. These are Standard Chartered Bank Korea Limited, Industrial Bank of Korea, NH Bank, The Daegu Bank Ltd., Busan Bank, Kyongnam Bank Co., Ltd., Citibank Korea, Jeju Bank, Suhyup Bank, The Jeonbuk Bank Ltd and Kwangju Bank. The five bank-affiliated credit card companies consist of the Issuer, BC Card, Shinhan Card Co., Ltd., KEB Hana Card Co., Ltd. and KB Kookmin Card Co., Ltd. The three "monoline" credit card companies include Samsung Card Co., Ltd., Hyundai Card Co., Ltd., Lotte Card Co., Ltd.

Growth

Credit card companies in Korea primarily provide financing for purchase of merchandise and services, payment for which must be made either (i) on a Lump Sum Basis, (ii) in equal monthly installment over as pre-selected period of time (i.e., installment) or (iii) on a revolving basis subject to a minimum percentage of the amount outstanding on each monthly payment date (i.e., revolving). Credit card companies also provide cash advance services, under which card members may borrow cash from automatic teller machines or cash dispensers subject to daily interest charges, and card loan services, which are small amount unsecured loans provided to card members.

Credit card companies began to play a significant role after 1997 in Korea. The growth of the credit card industry mirrored the rebound of Korean economy following the 1997 Asian financial crisis. In 1998, the Government introduced a set of policies to promote the use of credit cards. In 1999, the Government abolished the ₩700,000 limit on cash advances a cardholder may receive in a given billing cycle. In 1999, a shared merchant system was introduced to increase the convenience of credit card usage. Under this shared merchant system, if one or more credit card companies enter into an agreement with a merchant to allow their cardholders to use their credit cards to purchase such merchant's merchandise or service, then such merchant is required to accept the credit cards issued by every other credit card company in Korea under the same terms as set forth under the original agreement. This shared merchant legislation was followed by a new tax policy aimed at improving transparency in the Korean tax system, the effect of which was to encourage credit card usage. In September 1999, the Korean National Tax Service introduced an income deduction scheme, which allows a taxpayer a deduction from taxable income an amount equal to 10% of the aggregate card purchase volume amount in a given taxable year that exceeds 10% of such taxpayer's total gross income for such taxable year, subject to a maximum amount a taxpayer can deduct which can vary from year to year. In addition, the Government commenced operating a state-run monthly lottery for credit card users in 2000.

In the late 1990s and early 2000s, credit card companies, led by Samsung Card Co., Ltd. and LG Card Co., Ltd., developed new services and aggressively marketed their products. Cash advance and card loan services were granted to more members and the limits on such advances and loans were raised. Membership reward programs were introduced and expanded, and various discount benefits were provided to credit card members. The credit card companies hired "credit planners" who were paid by the number of new card member recruits, and the more aggressive credit planners signed up new card members off the street with little or no background or credit check.

The Government's incentives to promote credit card usage, together with aggressive marketing of credit card companies, contributed to the overall growth of the credit card industry in Korea during this period. The growth in credit card service use was also attributable to the absence of a personal checking system in Korea and the absence of alternative consumer finance products. From 1998 to 2002, the transaction amount related to (i) credit card purchases, repayable in full or in installments, grew at a compound annual growth rate ("CAGR") of 71.3% and (ii) cash advances grew at a CAGR of 81.4% according to the Credit Finance Association of Korea. The total number of credit cards issued in Korea was approximately 42.0 million in 1998 and approximately 104.8 million in 2002, representing an increase of 149.5%. The number of credit cards per card user grew from 2.0 cards in 1998 to 4.6 cards in 2002.

Recent Status

Korea currently has a relatively high credit card penetration ratio in terms of number of cards per capita and card usage compared to private consumption. Koreans settle more than 70% of their consumption spending using a credit card according to the Credit Finance Association of Korea. The prevalence of credit card usage among Korean consumers is also reflected in the number of credit cards per economically active person, which was 3.9 cards per economically active person as of December 31, 2019.

The Korean credit card industry has been showing steady growth due to an increase in personal expenditure and consumption and an increase in credit card transactions since 2005. Due to this steady growth, competition among credit card companies has intensified which has resulted in increased credit card benefits to customers.

These developments have helped independent credit card companies more than bank operated credit card businesses because independent credit card companies can focus solely on the credit card business. As banks have focused more on mortgage loans, which is their primary retail business, their credit card businesses consequently have declined. As a result, this has contributed to the growing market share of independent credit card companies.

In addition, credit card companies have enhanced their credit risk management capabilities. Since the commencement of the global financial crisis in 2008, credit card companies have taken measures to reduce their credit risk by managing credit limits and reassessing their customer group, among others, while maintaining the quality of their asset portfolios and cardholders. Despite strengthening credit card regulations by the Government and the possibility of reduced profitability due to increased competition, the credit card industry has maintained steady growth. It maintained a steady level of profitability mainly due to lowering credit costs through improving asset quality and a decrease in funding costs amidst a low interest rate environment. The capital adequacy ratio of the independent credit card companies increased from 19.0% in 2005 to 22.3% in 2019, according to the FSS. As of December 31, 2019, the capital adequacy ratio of all independent credit card companies exceeded the 8.0% guideline provided by the FSC. The average delinquency ratio of the independent credit card companies fell from 3.43% as of December 31, 2008 to 1.43% as of December 31, 2019 according to the FSS.

Since January 2012, a series of Government regulations mandating lower merchant fees chargeable to small- and medium-sized enterprises have been implemented in order to reduce transaction fees paid to credit card companies, placing downward pressure on the results of operations for credit card companies. In 2013 and 2018, Government introduced measures and guidelines aimed at curtailing excessive marketing expenses for credit card companies.

Internet-only banks, as well as non-financial institutions and fintech companies, are becoming major competitors to the credit card companies in payments market. KT consortium's K-Bank and Kakao consortium's Kakao Bank commenced operations in April 2017 and July 2017, respectively. In addition, with the rapid growth of online service providers and technology companies providing virtual payment services, more competitors are entering the financial payments industry, creating a new paradigm in the payments market and changing the competitive landscape. New competitors, including Kakao Corp., NAVER and Samsung Electronics, have introduced new payment methods. In 2018, Kakao Bank launched its own credit card business, expanding its mid-range interest rate loan offerings and competing with the existing credit card service providers.

On January 9, 2020, the Korean National Assembly passed amendments to three major data privacy laws (the Personal Information Protection Act, the Act on the Promotion of Information and Communications Network Utilization and Information Protection and the Act on the Use and Protection of Credit Information). These amendments introduced the MyData service, allowing and requiring (upon the customer's request and subject to compliance requirements) financial institutions that have been approved by the Financial Service

Commission as a MyData service provider access and sharing of customers' personal information, credit information and transaction data. Credit card companies have actively sought opportunities in data-based business based on MyData as well as big data and entered credit bureau business in order to diversify revenue streams through new business opportunities.

The global outbreak of COVID-19 rapidly accelerated the adoption rate of digital payment options as more consumers seek safer contact-free payment methods. This rapid adoption of digital payments is expected to increase consumers' demand on digital payment, encouraging merchants and credit card companies to embrace contactless payment services, including mobile payment and e-wallets.

The recent growth of the credit card industry in Korea according to the Credit Finance Association of Korea is set forth in the table below:

	2015	2016	2017	2018	2019
			(in billions of Won)		
Credit card transaction volume					
Credit card purchases	534,932	596,032	627,342	664,013	700,952
Cash advances	59,503	59,329	59,266	60,768	59,124
Total	594,435	655,361	686,608	724,781	760,076
Number of credit card in issue (thousands)	9,314	9,564	9,946	10,506	11,098
Number of credit cards per economically active person(1)	3.5	3.5	3.6	3.8	3.9
Number of merchants (thousands)	242	250	257	269	281

Source: The Credit Finance Association. Korea

Note:

(1) "Economically active person" means a working age person who is capable of working and is either currently employed or seeking employment.

SUPERVISION AND REGULATION

The Korean credit card industry is primarily governed by the SCFBA, which regulates the business activities of Specialized Credit Financial Business Companies ("SCFCs") licensed by, or registered with, the FSC. The businesses of SCFCs consist of (i) credit cards, (ii) facility leasing businesses, (iii) installment financing and (iv) new technology venture capital.

The SCFBA requires licensing and/or registration of SCFCs and regulates their business practices. Any person wishing to engage in the credit card business must obtain a license from the FSC (except for a person who engages in certain wholesale or retail business), while any person wishing to engage in the leasing, installment finance or technology venture capital businesses may register with the FSC in order to take the benefit of the SCFBA. An SCFC is regulated by the FSC, which has the right to review the operations of such SCFCs and inspect their records to ensure compliance with the provisions of the SCFBA. The FSC has the authority to suspend the operations of credit card companies for up to six months upon non-compliance with certain regulations under the SCFBA and certain administrative orders. The FSC is entitled to cancel a license or registration, as the case may be, if an SCFC fails to comply with certain regulations of the SCFBA or administrative orders, including a suspension order.

The SCFBA prohibits an SCFC from extending loans over certain limits to its major shareholders (including certain specially-related persons of the major shareholders). The aggregate amount of the credit extended by an SCFC to its major shareholders shall not exceed 50% of its equity capital. An SCFC in violation of this rule is subject to a penalty by FSC of up to the excess amount of the extended credit and/or a criminal fine not exceeding ₩50,000,000. Any major shareholder in violation of this rule is also subject to a criminal fine not exceeding ₩50,000,000 or imprisonment for up to 7 years

Under the SCFBA, if an SCFC with a credit card business license intends to engage in two or more of businesses among the facility rental business, installment financing business or new technology project financing business, it is required to have at least ₩40 billion of capital, while an SCFC with only the credit card business license or an SCFC with the license of only one of the facility rental business, installment financing business or new technology project financing business is required to have at least ₩20 billion of capital.

Under the SCFBA, an SCFC is not permitted to acquire real estate other than those to be used for certain prescribed business purposes and the FSC may limit the aggregate amount of real estate which an SCFC may acquire for such business purposes up to a certain percentage of shareholders' equity; provided however, that such limit must be not less than 100% of shareholders' equity.

In connection with the issuance of credit cards and extension of credit to cardholders, the SCFBA, its Enforcement Decree and the supervisory regulation of the FSC provide that credit card companies:

(a) must check the identity of a new card applicant before issuing a card and may not renew or replace a card which has not been used for the past six months without either the written consent or the verbal consent (via telephone call) of the cardholder concerned;

(b) are permitted to set a credit limit only after assessing the financial situation of the individual cardholder, but in any event the limit must not be higher than the amount requested by the cardholder;

(c) may issue a credit card to a card applicant who is aged 19 or older (18 or older, if the applicant can prove the applicant's employment at the time of the application) and is deemed by it under its internal guidelines (which should include such factors as income, assets and liabilities by which to assess the financial capability of card applicants) as being capable of paying his credit card debts;

(d) as of the end of each quarter, must keep the average balance of the receivables arising in connection with the credit extension to its credit cardholders during the relevant quarter, except for certain receivables, not in excess of the sum of (i) the average balance of the receivables arising in connection with the purchase by its credit cardholders of goods or services and (ii) the aggregate amount of transactions made by debit cardholders, in each case, during the same quarter;

(e) are forbidden from soliciting customers by (i) multilevel sales, (ii) offering free benefits exceeding 10% of the annual membership fee to potential card members, (iii) street-hawking or (iv)door-to-door solicitation without prior consent from the potential customer, except in the case of solicitation in offices used for business purposes which does not require such consent; and

(f) are required to register all solicitors of credit card memberships with the Credit Finance Association.

Further, if a cardholder objects to the bills charged to his or her credit card, he or she will not be obligated to make payments until the FSC has finished its investigation thereon. The level of allowance for credit card receivables held by credit card companies is similar to that of commercial banks.

The Installment Transaction Act

In addition to the SCFBA, the Installment Transactions Act (the "ITA") protects consumers who enter into installment purchase contracts for the purchase of merchandise by ensuring fairness in such transactions.

The ITA is applicable to any installment purchase contract where (a) a purchaser of merchandise (the "purchaser") makes installment payments for merchandise three or more times over a period of two or more months to the merchant or a credit provider (usually a credit card company) and (b) takes delivery of the merchandise before full payment of the price is made.

The ITA states that a purchaser may revoke an installment purchase contract by providing written notice to the merchant expressing his or her intention to revoke the contract within seven days from the later of the day on which he or she has received the contract documents and the date of receipt of the purchased merchandise. If a credit provider is involved, the purchaser may also send a written notice to the credit provider expressing his or her intention to revoke the installment purchase contract within seven days from the later of the day on which he or she has received the purchased merchandise or the installment purchase contract. The revocation of the installment purchase contract is deemed to be as of the date the purchaser sends the notice in writing to the merchant or credit provider.

If the purchaser revokes an installment purchase contract, the merchant, upon return of the related merchandise, is required to return to the purchaser all installment payments that have been made by the purchaser. The purchaser may not, however, revoke an installment purchase contract if (a) the merchandise is lost or damaged due to a reason attributable to the consumer, except in the cases where the package, etc. is damaged in order to check the contents of the merchandise, (b) the purchaser has used or consumed the merchandise determined by the presidential decree to the ITA, the value of which is likely to be reduced considerably due to such use or consumption, (c) the value of the merchandise is remarkably reduced to the extent that it cannot be resold due to the lapse of time, (d) the package of the merchandise that can be reproduced is damaged or (e) other cases determined by the presidential decree to the ITA for security in transactions occur; provided that if the merchant approves the withdrawal of an offer or does not take measures such as clearly indicating such fact on the package of the merchandise or on other place readily recognizable to the purchaser or providing samples, so that the purchaser is not to be hindered in the withdrawal of an offer, the purchaser may withdraw the offer even in cases falling under (b) through (d) above.

The purchaser may only repudiate a claim of the credit provider for payment under an installment purchase contract if (a) the purchaser has provided a written notice revoking the contract in accordance with the procedure detailed above, (b) the credit provider (if one is involved in the transaction) has already made a payment to the merchant within a 7-day period during which the purchaser may revoke the installment purchase contract or (c) the credit provider has been asked to suspend or cancel the request for the installment payments from the merchant.

The Door-To-Door Sales Act

General

The Door-to-Door Sales Act (the “Door-to-Door Act”) sets out consumers’ rights to revoke a contract where a consumer purchases goods or services through a door-to-door sale, telemarketing sale or multilevel sale.

Door-to-Door and Telemarketing Sales

Any consumer may revoke a sale and purchase agreement entered into by way of door-to-door or telemarketing sales (as defined under the Door-to-Door Act) within the following periods:

(a) 14 days from the date of receipt of a written contract; provided that if the date on which the relevant purchased merchandise is received is later than the date of receipt of the written contract, then within 14 days from the receipt of the purchased merchandise;

(b) 14 days after the consumer becomes aware of (or should have become aware of) the seller's address if the consumer is unable to revoke the sale and purchase agreement for reasons such as the failure by the door-to-door or telemarketing seller to provide the consumer with a written contract, or in cases where the written contract does not specify the seller's address as required by the Door-to-Door Act or where there is a change in the address of the seller;

(c) 14 days from the date on which the consumer became aware (or should have become aware), that the consumer had a right to withdraw subscription or cancel the contract, if the contract does not provide for matters regarding withdrawal of subscription, etc.; or

(d) 14 days from the date on which hindrance ends, where the door-to-door sales or telemarketing business entity hinders withdrawal of subscription, etc.

The consumer may not revoke the sale and purchase agreement in certain cases specified under the Door-to-Door Act, such as the merchandise being destroyed or damaged due to the consumer's own fault. The door-to-door or telemarketing seller is required to return all payments that have already been made to the consumer within three business days following the day on which the consumer returns the merchandise.

If the consumer has made payments by a credit card, the door-to-door or telemarketing seller is required to immediately request the credit card company to suspend or revoke the demand for payment for the merchandise. The seller is also required to return the money it has already received to the credit card company.

In the case of a revocation by written notice, such revocation takes effect on the day the consumer sends the written notice.

Multilevel Sales

Under the Door-to-Door Act, the term "multilevel sales" means sale of goods or services through a sales force that meets all of the following criteria:

(a) a salesperson solicits other persons to participate in the salesforce as his or her downline salespersons;

(b) such downstream recruitment as described in clause (a) is continued for not less than three levels; and

(c) certain incentives are provided to each salesperson based on the (i) sales performances or (ii) management of salesforce and training performances of the other salespersons whose performances are linked to the incentives payable to the concerned salesperson.

Any consumer may revoke a sale and purchase agreement entered into by way of multilevel sales in the same manner as a sale and purchase agreement entered into by way of door-to-door or telemarketing sales.

The multilevel seller is required to return all payments that have already been made to the consumer within three business days following the day on which the consumer returns the merchandise, provided that the multilevel distributor may deduct certain expenses within the limits determined by the presidential decree to the Door-to-Door Act.

If the consumer has made payments by credit card, the multilevel seller is required to immediately request the credit card company to suspend or revoke the demand for payment for the merchandise. The multilevel seller is also required to return any money that has already been received to the credit card company.

In the case of a revocation by written notice, such revocation takes effect on the day when the consumer sends the written notice.

Door-to-Door Sales under Sponsorship

Under the Door-to-Door Act, the term "Door-to-Door Sales under Sponsorship" means cases that meet the criteria for door-to-door sales and multilevel sales with a scheme for payment of bonus, under which a certain salesperson's performance of purchase or sales affects only the bonus of one salesperson who is the immediate superior of the former, as prescribed by presidential decree to the Door-to-Door Act.

Any consumer may revoke a sale and purchase agreement entered into by way of Door-to-Door Sales under Sponsorship in the same manner as a sale and purchase agreement entered into by way of multilevel sales.

Korean Foreign Exchange Controls and Securities Regulations

General

In the past, the Foreign Exchange Management Act (Law No. 4447, December 27, 1991), as amended, and the Presidential Decree and regulations thereunder (collectively the "Foreign Exchange Management Laws") regulated investment in Korean securities by non-residents and issuance of securities outside Korea by Korean companies. With effect from April 1, 1999, the Foreign Exchange Management Laws were abolished and the Foreign Exchange Transaction Law (Law No. 5550, September 16, 1998), as amended, and the Presidential Decree and regulations thereunder (collectively, the "FETL") were enacted. Under the FETL, many restrictions on foreign exchange transactions have been reduced and many currency and capital transactions have been liberalized. Although nonresidents may invest in Korean securities only to the extent specifically allowed by such laws or otherwise permitted by the Ministry of Economy and Finance (the "MOEF"), many approval requirements have been relaxed. The FSC has also adopted, pursuant to its authority under the Financial Investment Services and Capital Markets Act, regulations that restrict investment by foreigners (as defined therein) in Korean securities. However, Korean law does not limit the right of non-residents to hold securities issued pursuant to the FETL outside Korea.

With effect from January 1, 2006, the FETL was amended to further liberalize foreign exchange transactions. In accordance therewith, certain transactions that previously required approval from the Bank of Korea or MOEF now require only a report to the Bank of Korea or MOEF, although such report will have to be accepted by the Bank of Korea or MOEF, as applicable.

Under the FETL, if the Government deems that (a) it is necessary in the event of natural disasters or the outbreak of any wars or conflict of arms or the occurrence of grave and sudden changes in domestic/foreign economic circumstances or other situations equivalent thereto, the MOEF may temporarily suspend payments, or the receipt of payments, on the whole or part of transactions to which the FETL applies or imposes an obligation on the transaction parties to safekeep or deposit with or sell to, certain governmental agencies, the Bank of Korea, the Foreign Exchange Equalization Fund or financial institutions, the means of payment of the transaction (including any gold, nonnegotiable gold coins or other gold products), or (b) the 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 foreign jurisdictions causes or is likely to cause a serious obstruction to the conduct of currency policies, exchange rate policies and other macroeconomic policies, the MOEF may take action to require any person who intends to perform capital transactions (which include, among other things, the generation, alteration or extinction of claims from contracts of deposit, trust, the lending of money, the acquisition of securities, etc.) to obtain permission or to require any person who performs capital transactions to deposit part of the payment acquired in such transactions with the Bank of Korea, the Foreign Exchange Equalization Fund or financial institutions, in each case subject to certain limitations thereunder.

Government Review of the Issuance of the Class A2 Bond and Authorization for Payments on the Class A2 Bond

In order for the Bond Issuer to issue the Class A2 Bond to a non-resident, the Bond Issuer is required to file a prior report of the issuance to the MOEF through the Designated FX Bank. There are certain other regulatory reports that are required under the FETL in connection with the execution, delivery and performance of the Transaction Documents by the parties thereto.

Under the FSC’s Regulations on Securities Issuance and Disclosure, the transfer of the Class A2 Bond to a Korean Resident (as defined in the FETL) is prohibited during the first year of its issuance except as otherwise permitted by applicable Korean law and regulations.

TERMS AND CONDITIONS OF THE NOTES

The following is a summary of the terms and conditions of the Notes to be issued by the Issuer under the Fiscal Agency Agreement (as defined below). The following statements do not purport to be a complete description of the Notes and the Fiscal Agency Agreement and are qualified in their entirety by reference to the provisions of the Notes and the Fiscal Agency Agreement.

1. General

(a) This Note is one of a duly authorized issue of Notes of the Issuer in the initial aggregate principal amount of US$200,000,000 1.750% Senior Unsecured Notes due March 23, 2026 (the "Notes") issued or to be issued pursuant to a Fiscal Agency Agreement, to be dated on or about March 23, 2021 (as amended from time to time, the "Fiscal Agency Agreement"), among the Issuer, Citicorp International Limited, as fiscal agent (such bank and its successors as such fiscal agent being hereinafter called the "Fiscal Agent") and Citibank, N.A., London Branch, as registrar (such bank and its successors as such registrar being hereinafter called the "Registrar"), transfer agent (such bank and its successors as such transfer agent being hereinafter called the "Transfer Agent") and paying agent (such bank and its successors as such paying agent being hereinafter called the "Paying Agent", and the Fiscal Agent, the Registrar, the Transfer Agent and the Paying Agent, collectively referred to as the "Agents"), the terms of which are hereby incorporated by reference. Capitalized terms used but not defined herein are used as defined in the Fiscal Agency Agreement. Copies of the Fiscal Agency Agreement are on file and available for inspection upon prior written request and satisfactory proof of holdings of the Holders of Notes at the corporate trust office of the Fiscal Agent between 9:00 a.m. to 3:00 p.m. (the "Corporate Trust Office"), and reference thereto is made for a description of the rights and limitations of rights thereunder of the Holders of the Notes and the duties and immunities of the Fiscal Agent. In acting under the Fiscal Agency Agreement, the agents appointed by the Issuer thereunder are acting solely as agents for the Issuer and do not assume any obligation or relationship of agency or trust for or with the Holder of this Note. The Holders of Notes will be entitled to the benefits of, and be bound by and deemed to have notice of, all of the provisions of the Fiscal Agency Agreement. As used herein, the term "Holder" means the person in whose name a Note is registered in the Note Register (as defined in Condition 7(h) below).

(b) The Notes are issuable only as Notes in fully registered form without coupons in denominations of US$200,000 and any integral multiple of US$1,000 in excess thereof.

(c) The Issuer covenants that until the earlier to occur of the date on which all of the Notes shall have been delivered to the Fiscal Agent for cancellation and the date on which all of the Notes have become due and payable and monies sufficient to pay the principal of and interest on all of the Notes shall have been made available for payment and either paid on the date that the payment is due or returned to the Issuer as provided herein, the Issuer will at all times maintain a Fiscal Agent (which in each case shall be a bank or trust company in good standing, legally qualified to act as Fiscal Agent). Subject to the foregoing, the Issuer reserves the right at any time to vary or terminate the appointment of any of the Fiscal Agent and such additional agents as the Issuer may determine.

(d) The Notes are direct, unconditional, unsubordinated and unsecured (subject to Condition 9) obligations of the Issuer and shall at all times rank *pari passu*, without any preference among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured and unsubordinated general obligations of the Issuer, from time to time outstanding.

2. Payments

(a) Payments of principal of and interest on this Note will be made in the legal currency of the United States of America.

(b) Payment of the principal of this Note shall be made, upon presentation and surrender hereof, by transfer to the registered bank account of the Holder, subject to any laws or regulations applicable thereto and to the right of the Issuer to terminate the appointment of any such paying agency, at such other paying agencies as the Issuer may designate.

(c) Payments of interest on this Note shall be made by transfer to the registered bank account of the Holder. The interest so payable on any Interest Payment Date will be paid to the person in whose name this Note is registered at the close of business on the fifteenth day preceding such Interest Payment Date (each, a "Record Date"), whether or not a Business Day (as defined below), notwithstanding the cancellation, transfer or exchange of this Note subsequent to the Record Date and on or prior to such Interest Payment Date, and no interest otherwise so payable on any Interest Payment Date shall be paid on this Note if the name of its Holder was entered as such on the Note Register after the close of business on the Record Date next preceding such Interest Payment Date, except if and to the extent the Issuer shall default in the payment of the interest due on such Interest Payment Date, in which case such defaulted interest shall (unless paid together with principal of this Note in full other than on an Interest Payment Date) be paid to the person in whose name this Note is registered at the close of business on a subsequent record date (which shall be not less than five Business Days prior to the date of payment of such defaulted interest) established by notice given by mail by or on behalf of the Issuer to the Holders of Notes not less than 15 days preceding such subsequent record date. If interest is paid together with principal in full on a date that is not an Interest Payment Date, such interest shall be paid upon presentation and surrender of this Note to the Fiscal Agent or to the Paying Agent.

(d) Notwithstanding paragraphs (b) and (c) of this Condition, the Holder of this Note if it is a Global Note shall receive, and any Holder of at least US$10,000,000 in aggregate principal amount of Notes may by notice to the Fiscal Agent at least ten days prior to any Interest Payment Date elect to receive, payments of principal (upon presentation and surrender of this Note), and payments of interest due on and subsequent to such Interest Payment Date by wire transfer in immediately available funds to such bank account as such Holder may direct in writing.

(e) In any case where the date for the payment of any principal of or interest on any Note is not a day on which banking institutions are open for business in New York, London, Seoul, Taipei and Hong Kong (a "Business Day"), then payment of such principal or interest need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date for such payment of principal or interest, unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day, and no interest shall accrue for the period after such date.

(f) Any monies paid by the Issuer to the Fiscal Agent for the payment of the principal of or interest on any Notes and remaining unclaimed at the end of two years after such principal or interest shall have become due and payable and shall have been paid to the Fiscal Agent by the Issuer shall then be repaid to the Issuer, and upon such repayment, all liability of the Fiscal Agent with respect to such monies shall thereupon cease and the Holder of any Note representing a claim therefor shall thereafter look only to the Issuer for payment thereof.

(g) For so long as any of the Notes are represented by the Global Note, each payment on the Notes will be made to, or to the order of, the person whose name is entered into on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means a day on which the relevant clearing system is operating and open for business.

3. Calculation of Interest

Interest on the Notes will be calculated on the basis of a 360 day year consisting of twelve 30-day months.

4. Optional Redemption Due to Changes in Tax Treatment

The Notes may be redeemed at the option of the Issuer, in whole, but not in part, upon not less than 30 nor more than 60 days' notice (which notice shall be irrevocable), at any time at a redemption price equal to 100% of the principal amount thereof plus accrued interest to (but excluding) the date fixed for redemption if, as a result of (a) any change in or amendment to the tax laws or treaties of the Republic (or of any political subdivision or taxing authority thereof or therein) or any regulations or rulings promulgated thereunder or (b) any change in official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issuer Date, the Issuer is or would be obligated on the next due date for a payment with respect to the Notes to pay Additional Amounts (as described in Condition 6 below) with respect to the Notes, and such obligation cannot be avoided by the use of reasonable measures available to the Issuer; provided, however, that (i) no such notice of redemption may be given earlier than 60 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts, and (ii) at the time such notice of redemption is given, such obligation to pay such Additional Amounts remains in effect. Before giving any notice of such redemption, the Issuer shall deliver to the Fiscal Agent (i) a certificate of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of redemption have occurred, together with an opinion of counsel to the effect that such a change in, or amendment to, the laws or treaties of the Republic (or of any political subdivision or taxing authority thereof or therein) or any regulations or rulings promulgated thereunder or any change in official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings, has occurred and (ii) an opinion of independent legal advisers of recognized standing to the effect that the Issuer has or will become obligated to pay such Additional Amounts as a result of such change or amendment; provided that, the Fiscal Agent shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence (without further investigation or query and without liability to the Holders or any other person) of the satisfaction of the conditions precedent set out in Condition 5, in which event they shall be conclusive and binding on the Holders.

5. Purchase of Notes; Further Issues

The Issuer may at any time purchase Notes by tender (available to all Holders alike) or in the open market at any price. Notes purchased or otherwise acquired by the Issuer may be held, resold or, at its discretion, surrendered to the Registrar for cancellation. If the Issuer shall acquire any Notes, such acquisition shall not operate as or be deemed for any purpose to be a satisfaction of the indebtedness represented by such Notes unless and until such Notes are delivered to the Registrar for cancellation and are cancelled and retired by the Registrar in accordance with the Conditions.

To the extent permitted by applicable laws and regulations of the ROC and subject to the receipt of all necessary regulatory and listing approvals from the relevant authorities, including but not limited to the TPEx and the Taiwan Securities Association, the Issuer may from time to time, without the consent of the existing Holders, create and issue additional notes under the Fiscal Agency Agreement having the same terms and conditions in all respects except for issue date and issue price. Additional notes issued will be consolidated with and form a single series with the outstanding Notes, provided that such additional notes constitute a qualified reopening for United States federal income tax purposes.

6. Additional Amounts

All payments of principal of, and interest on, the Notes by the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, levies, imposts, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Republic or by or within any political subdivision thereof or any authority therein having power to tax ("Korean Tax"), unless deduction or withholding of such Korean Tax is required by law. In the event that the deduction or withholding of Korean Tax is required by law, the Issuer will pay such additional amounts ("Additional Amounts") as will result in the payment to the Holders of the Notes of the amounts which would otherwise have been receivable in respect of principal and interest in the absence of such deduction or withholding, except that no such Additional Amount shall be payable in respect of any Note:

(a) to or on behalf of a Holder or beneficial owner who is subject to such Korean Tax in respect of such Note by reason of such Holder or beneficial owner being or having been connected with the Republic (or any political subdivision thereof) otherwise than merely by holding such Note or receiving principal or interest in respect thereof; or

(b) to or on behalf of a Holder or beneficial owner who would not be liable for or subject to such deduction or withholding by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested in writing by the Issuer to make such a declaration or claim, such Holder or beneficial owner fails to do so within 30 days; or

(c) to or on behalf of a Holder or beneficial owner who presents a Note (where presentation is required) more than 30 days after the relevant date except to the extent that the Holder or beneficial owner thereof would have been entitled to such Additional Amounts on presenting a Note for payment on any date of such 30-day period; for this purpose the "relevant date" in relation to any payments of interest on, or principal of, any Note means: (i) the due date for payment thereof; or (ii) if the full amount of the monies payable on such date has not been received by the Fiscal Agent on or prior to such due date, the date on which the full amount of such monies has been so received and notice to that effect is duly given to the Holder in accordance with the Fiscal Agency Agreement; or

(d) if withholding or deduction is imposed on a payment to or for the benefit of an individual and such payment is required to be made pursuant to Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusion of the ECOFIN council meeting on November 26-27, 2000, or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(e) to or on behalf of a Holder or beneficial owner who would have been able to avoid the withholding or deduction by the presentation (where presentation is required) of the relevant Note to, or otherwise accepting payment from, another paying agent in a Member State of the European Union; or

(f) any combination of (a), (b), (c), (d) or (e) above.

The obligation of the Issuer to pay such Additional Amounts in respect of taxes, duties, assessments and governmental charges shall not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge or (b) any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments on the Notes; provided that, except as otherwise set forth in the Notes and in the Fiscal Agency Agreement, the Issuer shall pay all stamp and other taxes and duties, if any, which may be imposed by the Republic, the United States, or any respective political subdivision thereof or any taxing authority of or in the foregoing with respect to the Fiscal Agency Agreement or as a consequence of the initial issuance of the Notes.

Furthermore, no Additional Amounts shall be payable with respect to any payment of the principal of, or any interest on, any Note to any Holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such beneficiary or settlor with respect to such fiduciary, member of such partnership or beneficial owner would not have been entitled to such Additional Amounts had it been the Holder of such Note.

All references to principal or interest in respect of the Notes shall be deemed also to refer to any Additional Amounts which may be payable as set forth in the Notes.

None of the Fiscal Agent, the Registrar, the Transfer Agent or the Paying Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this

Condition 7 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Holder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Fiscal Agent, the Registrar, the Transfer Agent or the Paying Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

7. Negative Pledge

(a) So long as any Note remains outstanding, the Issuer shall not create or permit to be outstanding any mortgage, charge, pledge or other security interest ("Security") upon or over the whole or any part of its property, assets or revenues (whether present or future) to secure for the benefit of the holders of any International Investment Securities (as defined below):

(i) payment of any sum due in respect of any such International Investment Securities;

(ii) any payment under any guarantee of any such International Investment Securities; or

(iii) any payment under any indemnity or other like obligations in respect of any such International Investment Securities.

without, in any such case and at the same time, according to the Notes either the same Security as is granted to or is outstanding in respect of such International Investment Securities, guarantee, indemnity or other like obligations or such other Security not materially less beneficial to the Holders as shall be approved for the purpose by not less than 75% in aggregate principal amount of Notes then outstanding.

The foregoing shall not operate to restrict or prohibit the creation or existence of any Security consisting of a security interest solely in Receivables (as defined below) securing payment of interest or principal of any International Investment Securities issued by a wholly-owned Subsidiary (or another Person in which the Issuer makes an investment and to which the Issuer transfers Receivables and related assets) which engages in no activities other than in connection with the financing of such Receivables.

(b) In these Conditions:

"International Investment Securities" means notes, bonds, debentures, certificates of deposit or investment securities of any person which:

(i) by their terms either are payable, or confer a right to receive payment, in any currency other than Won or are denominated in Won and more than one-half of the aggregate principal amount of which is initially distributed outside Korea by or with the authorization of the Issuer;

(ii) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market outside Korea; and

(iii) are not (A) securities issued in accordance with a securitization plan pursuant to the Asset-Backed Securitization Act of Korea (or other similar laws of Korea); or (B) securities or instruments serviced primarily by the cash flows of a discrete pool of receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite period and which are commonly regarded as asset-backed securities.

"Person" means any individual, corporation, company, firm, tribunal, undertaking, association, organization, partnership, joint venture, trust, limited liability company, unincorporated organization or government or any agency, instrumentality or political subdivision thereof; in each case whether or not being a separate legal entity.

"Receivable" means a right to receive payment of any amounts owed by a Person to the Issuer for (i) a purchase of goods or services using a credit card pursuant to a credit card membership agreement between such Person and the Issuer or (ii) an extension of a loan by the Issuer to a Person for the purchase of automobile(s) or otherwise, including any amounts of card loans, cash advance services, annual membership fees, finance charges and other fees and charges owed by such Person to the Issuer.

8. Transfer, Exchange and Replacement

(a) The transfer of this Note is registrable (upon the terms and subject to the conditions set forth in the Fiscal Agency Agreement and subject to the requirements of the Issuer, the Fiscal Agent and the Registrar) on the Note Register upon surrender of this Note for registration at the specified office of the Registrar at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg, Luxembourg (or such other subsequent office which the Registrar may maintain, the "Registrar's Office"), duly endorsed by, or accompanied by a written instrument of transfer in a form approved by the Issuer and the Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing.

(b) No service charge shall be made for any exchange or registration of transfer provided for in Conditions 7(a) and 7(b) hereof, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

(c) No registrations of transfers or exchanges of Notes shall be made after notice of redemption of the Notes has been given.

(d) All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits, as the Notes surrendered upon such registration of transfer or exchange. Any new Note delivered pursuant to this Condition 7 shall be so dated that neither gain nor loss of interest shall result from such transfer or exchange.

(e) If any Note shall at any time become mutilated or destroyed or stolen or lost, then, provided that such Note, or evidence of the destruction, theft or loss thereof (together with the indemnity hereinafter referred to and such other documents or proof as may be required in the premises) shall be delivered during business hours to the Registrar's Office, a replacement Note of like tenor and principal amount will be issued by the Issuer and, at its request, authenticated by the Registrar, in exchange for the Note so mutilated, or in lieu of the Note so destroyed or stolen or lost; provided, further, that, in the case of destroyed, stolen or lost Notes, (i) neither the Issuer nor the Fiscal Agent nor the Registrar shall have notice that such Notes have been acquired by a bona fide purchaser, and (ii) the Issuer and the Registrar shall have received evidence satisfactory to them that such Notes were destroyed, stolen or lost, and the Issuer and the Registrar shall have received an indemnity satisfactory to each of them. All expenses and properly incurred charges associated with procuring such indemnity, and the cost of the preparation and issue of a replacement for any Note mutilated, destroyed, stolen or lost, shall be paid by the Holder of such Note. In case such mutilated, destroyed, stolen or lost Note has become or is about to become due and payable, the Issuer in its discretion may, instead of issuing a new Note, pay or cause to be paid such Note. Every new Note issued pursuant to this paragraph (f) in exchange for or in lieu of any mutilated, destroyed, stolen or lost Note, shall constitute an additional original contractual obligation of the Issuer, whether or not the mutilated, destroyed, stolen or lost Note shall be at any time enforceable by anyone. Any new Note delivered pursuant to this paragraph (f) shall be so dated that neither gain nor loss of interest shall result from such replacement. To the extent permitted by law, the provisions of this paragraph (f) are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, stolen or lost Notes.

(f) The Issuer, the Fiscal Agent and the Registrar may deem and treat the registered Holder hereof as the absolute owner hereof (notwithstanding any notice of ownership or other writing hereon) for the purposes of receiving payment hereon or on account hereof and for all other purposes, whether or not this Note shall be overdue.

(g) The Issuer has appointed the Registrar as its agent for transfers, and for exchanges and replacements, of Notes and has agreed to cause to be kept at the Registrar's Office a register (the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for such registration and registration of transfers.

(h) All Notes issued as a result of any transfer, exchange or replacement of Notes shall be delivered to the Holder by the Registrar (at the risk of the Holder) by mail to such address as is specified by the Holder in the request for transfer, exchange or replacement.

9. Merger and Consolidation

Nothing contained in the Fiscal Agency Agreement or in the Notes shall prevent any consolidation of the Issuer with, or merger of the Issuer into, any other corporation or corporations (whether or not affiliated with the Issuer), or successive consolidations or mergers to which the Issuer or its successor or successors shall be a party or parties, or shall prevent any sale, transfer, lease or conveyance of the property of the Issuer as an entirety or substantially as an entirety; provided that (a) in case the Issuer shall consolidate with or merge into another corporation, or sell, transfer, lease or convey its property as an entirety or substantially as an entirety to any corporation, the corporation formed by such consolidation or into which the Issuer is merged or the corporation which acquires by sale, transfer, lease or conveyance the property of the Issuer as an entirety or substantially as an entirety shall be a corporation organized under the laws of the Republic and shall expressly assume, by an agreement supplemental to the Fiscal Agency Agreement executed and delivered to, and in form reasonably satisfactory to, the Agents, the due and punctual payment of the principal of and interest (including all Additional Amounts, if any, payable pursuant to Condition 6) on the Notes, and the due and punctual performance and observance of all of the covenants and conditions to the Fiscal Agency Agreement and the Notes on the part of the Issuer to be performed or observed; (b) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Issuer as a result of such transaction as having been incurred by the Issuer at the time of such transaction, no Event of Default (as defined below), and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; (c) if, as a result of any such consolidation or merger or such sale, transfer, lease or conveyance, properties or assets of the Issuer or a Restricted Subsidiary would become subject to a Security Interest which would not be permitted by the Notes, the Issuer or such successor corporation, as the case may be, shall take such steps as shall be necessary effectively to secure the Notes (together with, if the Issuer shall so determine, any other indebtedness of the Issuer or such Restricted Subsidiary then existing or thereafter created which is not subordinate to the Notes) equally and ratably with (or prior to) all indebtedness secured thereby; and (d) the Issuer has delivered to the Fiscal Agent a certificate signed by an authorized officer of the Issuer and an opinion of counsel as to matters of law stating that such consolidation, merger, sale, transfer, lease or conveyance and, if a supplemental agreement is required in connection with such transaction, such supplemental agreement comply with the Fiscal Agency Agreement and the Notes and that all conditions precedent herein provided for relating to such transaction have been complied with.

10. Events of Default

The term "Event of Default" means any of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) which shall have occurred and be continuing:

(a) default in the payment of any installment of interest upon any of the Notes when it becomes due, and continuance of such default for a period of 30 days; or

(b) default in the payment of all or any part of the principal of (or premium, if any, on) any of the Notes as and when the same shall become due and payable, whether at maturity, upon redemption or otherwise; or

(c) failure on the part of the Issuer duly to observe or perform any other of the covenants or agreements on the part of the Issuer contained in the Notes or the Fiscal Agency Agreement for a period of 60 days after the date on which written notice specifying such failure, stating that such notice is a "Notice of Default" hereunder and demanding that the Issuer remedy the same, shall have been given by registered or certified mail, return receipt requested, to the Issuer by the Holders of at least 10% in aggregate principal amount of the Notes at the time outstanding; or

(d) any External Indebtedness of the Issuer in the aggregate outstanding principal amount of US$15,000,000 or more either (i) becoming due and payable by reason of acceleration thereof following default by the Issuer or (ii) not being repaid at, and remaining unpaid after, maturity as extended by the period of grace, if any, applicable thereto, or any guarantee given by the Issuer in respect of External Indebtedness of any other Person not being honored when, and remaining dishonored after becoming, due and called; provided that, in the case of (i) above, if any such default under any such External Indebtedness shall be cured or waived, then the default hereunder by reason thereof shall be deemed to have been cured and waived; or

(e) a court or administrative or other governmental agency or body having jurisdiction in the premises shall enter a decree or order for relief in respect of the Issuer in an involuntary case under any applicable bankruptcy, insolvency, reorganization, compulsory composition or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Issuer or for any substantial part of its property or ordering the winding up, dissolution or liquidation of its affairs, or shall otherwise adjudicate or find the Issuer to be bankrupt or insolvent and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(f) the Issuer shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization, compulsory composition or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or for any substantial part of its property, or cease to carry on the whole or substantially the whole of its business or make any general assignment for the benefit of creditors, or enter into any composition with its creditors, or take corporate action in furtherance of any such action;

then, and in each and every such case, unless the principal of all of the Notes shall have already become due and payable, the Holders of not less than 25% in aggregate principal amount of the Notes then outstanding, by notice in writing to the Issuer and to the Fiscal Agent, may declare the aggregate principal amount of the Notes to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, unless prior to receipt of such notice by the Issuer, all such defaults shall have been cured.

The Holders of more than 50% in aggregate principal amount of the Notes at the time outstanding, by notice to the Issuer and the Fiscal Agent (and without notice to any other Holders) may rescind and annul an acceleration pursuant to this Condition 11 and its consequences if (i) the rescission or annulment would not conflict with any judgment or decree for the payment of monies due that has been obtained or entered as hereinafter provided, (ii) all existing Events of Default have been cured or waived except nonpayment of the sum of the unpaid principal amount of the Notes plus interest (if any) payable thereon to the date of payment that have become due solely as a result of such acceleration and (iii) all amounts due to the Fiscal Agent under the Fiscal Agency Agreement have been paid. No such rescission shall affect any subsequent Event of Default or impair any right consequent thereto.

The Fiscal Agent shall not be deemed to know or have notice of an Event of Default unless the Corporate Trust Office receives written notice of such Event of Default.

11. Meetings of Holders; Modifications and Amendments

(a) The Issuer may at any time, and shall at any time after the Notes shall have become immediately due and payable due to a default upon a request in writing made by Holders holding not less than 10% of the aggregate outstanding principal amount of the Notes, convene a meeting of Holders of the Notes. Any such request in writing by the Holders shall be delivered to the Fiscal Agent, and the Fiscal Agent shall notify such request to the Issuer. Further provisions concerning meetings of the Holders are set forth in the Fiscal Agency Agreement.

(b) Modifications and amendments to the Fiscal Agency Agreement or the Notes requiring consent of Holders may be made, and future compliance therewith or past defaults by the Issuer may be waived, with the consent of the Issuer and the Holders of more than 50% in aggregate principal amount of the Notes at the time outstanding, or of such lesser percentage as may act at a meeting of the Holders held in accordance with the provisions of the Fiscal Agency Agreement; provided that no such modification, amendment or waiver of the Fiscal Agency Agreement or any Note may, without the consent of each Holder affected thereby, (i) change the maturity of the principal of, or any date for the payment of interest or Additional Amounts payable on, any Note; (ii) reduce the principal amount of, or any interest or Additional Amounts payable on, any Note; (iii) change the manner of calculation of interest or principal with respect to any Note; (iv) change the place of payment, or currency of denomination or payment, of the principal of or any interest or Additional Amounts payable on any Note; (v) change the Issuer's obligation to pay Additional Amounts; (vi) impair the right to institute suit for the enforcement of any payment on or with respect to any Note; or (vii) reduce the percentage of the principal amount of the outstanding Notes, the consent of the Holders of which is required for any such supplemental agreement. Any modifications, amendments or waivers consented to or approved at a meeting will be conclusive and binding on all Holders whether or not they have given such consent or were present at such meeting, and on all future Holders whether or not notation of such modifications, amendments or waivers is made upon the Notes. Any instrument given by or on behalf of any Holder of a Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of such Note.

(c) At a meeting of the Holders of the Notes called for any of the above purposes, persons entitled to vote more than 50% in aggregate principal amount of the Notes at the time outstanding shall constitute a quorum. In the absence of a quorum at any such meeting, the meeting may be adjourned for a period of not less than ten days; in the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than ten days; at the reconvening of any meeting further adjourned for lack of a quorum, the persons entitled to vote 25% in aggregate principal amount of the Notes at the time outstanding shall constitute a quorum for the taking of any action set forth in the notice of the original meeting. At a meeting or an adjourned meeting duly convened and at which a quorum is present as aforesaid, any resolution to modify or amend, or to waive compliance with, any of the covenants or conditions referred to above (other than those set forth in Clauses (i) through (vii) of Condition 12(b) hereof) shall be effectively passed if passed by the lesser of (i) more than 50% in aggregate principal amount of Notes then outstanding or (ii) 75% in aggregate principal amount of the Notes represented and voting at the meeting.

(d) The Fiscal Agency Agreement and the terms and conditions of the Notes may be modified, supplemented or amended, without the consent of the Holders, for one or more of the following purposes: (i) to evidence the succession of another corporation to the Issuer, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of the Issuer under the Conditions; (ii) to add to the covenants of the Issuer such further covenants, restrictions, conditions or provisions as the Issuer shall consider to be for the protection of the Holders of Notes, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in this Note as herein set forth; provided, that in respect of any such additional covenant, restriction, condition or provision such supplemental agreement may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the remedies available to the Fiscal Agent or the Holders upon such an Event of Default or may limit the right of the Holders of more than 50% in aggregate principal amount of the Notes to waive such an Event of Default; and (iii) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental agreement which may be defective or inconsistent with any other provision contained herein or in any supplemental agreement; or to make such other provisions in regard to matters or questions arising under this Note or the Fiscal Agency Agreement or under any supplemental agreement as the Issuer may deem necessary or desirable and which shall not adversely affect the interests of the Holders. In all other cases, amendment of the Fiscal Agency Agreement will require consent of the Holders pursuant to a resolution of the Holders of the Notes adopted pursuant to the Fiscal Agency Agreement and the Notes.

12. Notices to Holders

Except as otherwise expressly provided herein or the Fiscal Agency Agreement, whenever the Fiscal Agency Agreement or this Note provides for notice to Holders, such notice shall be sufficiently given if in writing and mailed at the expense of the Issuer, first-class postage prepaid, to each Holder entitled thereto, at his last address as it appears in the Note Register. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders and any notice that is mailed in the manner herein provided shall be conclusively presumed to have been duly given. Where the Fiscal Agency Agreement or this Note provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Fiscal Agent, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case, by reason of the suspension of or irregularities in regular mail service, it shall be impracticable to mail notice to the Holders when such notice is required to be given pursuant to any provision of the Fiscal Agency Agreement or this Note, then any manner of giving such notice (notified by, and at the expense of, the Issuer) to the Fiscal Agent shall be deemed to be a sufficient giving of such notice.

So long as the Notes are represented by a Global Note and such Global Note is held on behalf of Euroclear or Clearstream or any alternative clearing system, notices to Holders may be given by delivery of the relevant notice to Euroclear or Clearstream or such alternative clearing system, for communication by it to Holders in substitution for notification as required by this Condition.

13. Valid Obligations

The Issuer hereby certifies and declares that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of this Note, and to constitute the same the valid and legally binding obligation of the Issuer enforceable in accordance with its terms, have been done and performed and have happened in due and strict compliance with the applicable laws of the State of New York.

14. Governing Law

This Note shall be governed by, and construed in accordance with, the laws of the State of New York. To the fullest extent permitted by applicable law, the Issuer irrevocably submits to the jurisdiction of any federal or state court in the Borough of Manhattan, City of New York, State of New York, United States of America, in any suit or proceeding based on or arising under the Fiscal Agency Agreement or the Notes, and irrevocably agrees that all claims in respect of such suit or proceeding may be determined in any such court. The Issuer irrevocably and fully waives any objection which it may now or hereafter have to the laying of the venue of any such suit or proceeding and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. The Issuer has appointed Law Debenture Corporate Services Inc., being the date hereof at 801 2nd Avenue, Suite 403, New York, New York 10017, United States of America as its agent for service of process.

FORM OF THE NOTES

Capitalized terms used in this section and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Notes."

The Notes will initially be represented by a Global Note. The Global Note will be deposited with and registered in the name of Citivic Nominees Limited as nominee of Citibank Europe PLC as common depositary for Euroclear and Clearstream (the "Common Depositary"), and Euroclear and Clearstream will credit their respective account holders with the respective principal amounts of the individual interests represented by such Global Note. Such accounts will be designated initially by or on behalf of the representative of the Initial Purchasers. Ownership of beneficial interests in the Global Note will be limited to persons who have accounts with Euroclear or Clearstream or persons who hold interests through such account holders. Ownership of beneficial interests in the Global Note will be shown on, and the transfer of that ownership will be effected only through, the records maintained by Euroclear and Clearstream (with respect to interests of their respective account holders) and the records of such account holders (with respect to interests of persons other than such account holders).

Each Global Note (and any Notes issued in exchange thereof) will be subject to certain restrictions on transfer set forth therein and described under "Transfer Restrictions." Except in the limited circumstances described below under "— Certificated Notes", owners of beneficial interests in the Global Note will not be entitled to receive physical delivery of certificates representing their Notes. The laws of certain jurisdictions require that certain purchasers of the Notes take physical delivery of such Notes in certificated form. Accordingly, the ability of beneficial owners to own, transfer or pledge beneficial interests in the Global Note may be limited by such laws.

Payments in respect of the Notes represented by the Global Note will be made to the Common Depositary or its nominee as the registered owner thereof. Neither of us, the Fiscal Agent, the Common Depositary or any paying agent for such Notes will have any responsibility or liability for the accuracy of any of the records relating to, or payments made on account of, ownership interests in the Global Note or for any notice permitted or required to be given to persons with beneficial interests in the Global Note or any consent given or actions taken by such persons. The Issuer expects that Euroclear and Clearstream, upon receipt of any payment in respect of any Notes represented by the Global Note held by the Common Depositary or its nominee, will promptly credit the accounts of the participants of Euroclear and Clearstream with payments proportionate to their respective interests in the principal amount of the Notes represented by the Global Note as shown on its records.

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear and Clearstream and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream and their respective direct and indirect participants.

Although Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Note among participants and account holders of Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither of us, the Fiscal

Agent, the Common Depositary or any paying agent will have any responsibility for the performance by Euroclear, Clearstream or their respective participants, indirect participants or account holders, of their respective obligations under the rules and procedures governing their operations.

Euroclear and Clearstream each holds the Notes for participating organizations and facilitates the clearance and settlement of Note transactions between its respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Participants of Euroclear and Clearstream are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a participant of Euroclear or Clearstream, either directly or indirectly.

Certificated Notes

We will execute and deliver to the Registrar, and the Registrar will authenticate, individual physical certificates representing the Notes (the "Certificated Notes") in exchange for the Global Note, if:

(i) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Notes evidenced by the Global Note may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

(ii) an event of default under the Notes or the Fiscal Agency Agreement has occurred and is continuing and the Notes have become immediately due and payable.

Upon receipt of the relevant notice from Euroclear or Clearstream, as the case may be, the Issuer will use the Issuer's best efforts to make arrangements for the exchange of interests in the relevant Global Note for Certificated Notes and cause the requested Certificated Notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by the Registrar for delivery to holders or persons to whom such delivery is requested by holders. Persons exchanging interests in the Global Note for Certificated Notes will be required to provide to the Registrar, through the relevant clearing system, written instructions and other information required by the Issuer and the Registrar to complete, execute and deliver such Certificated Notes. Any Certificated Notes delivered in exchange for the Notes represented by the Global Note or beneficial interests therein will be registered in the names requested and issued in the principal amount of US$200,000 and integral multiples of US$1,000 in excess thereof.

The Clearing Systems

Euroclear

Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions between its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear includes various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear System Bank S.A./N.V. (the "Euroclear Operator"), under contract with Euroclear Clearance Systems, S.C., a Belgian cooperative corporation (the "Cooperative"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the representative of the initial purchasers. Indirect access to Euroclear is also available to others that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear Operator was granted a banking license by the Belgian Banking and Finance Commission in 2000, authorizing it to carry out banking activities on a global basis. It took over operation of Euroclear from the Brussels, Belgium office of Morgan Guaranty Trust Company of New York on December 31, 2000. Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "Terms and Conditions"). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts.

The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants. Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Terms and Conditions, to the extent received by Euroclear.

Clearstream

Clearstream was incorporated under the laws of The Grand Duchy of Luxembourg as a professional depositary. Clearstream holds securities for its participants and facilities the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depositary, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream participants are financial institutions around the world, including securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the initial purchasers. Indirect access to Clearstream is also available to others that clear through or maintain a custodial relationship with a Clearstream participant either directly or indirectly.

Distributions with respect to Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures, to the extent received by Clearstream.

Initial Settlement

Initial settlement for the Notes will be made in immediately available funds. All Notes will be represented by a Global Note which will be deposited with the Common Depositary, as custodian for Euroclear and Clearstream. Euroclear and Clearstream will hold such Notes on behalf of their participants, which are financial institutions. As a result, investors' interests in Notes held in book-entry form through Euroclear and Clearstream will be held through accounts at financial institutions acting on their behalf as direct and indirect participants in Euroclear and Clearstream.

Investors will follow the settlement procedures applicable to conventional Eurobonds in registered form. Notes will be credited to the securities custody accounts of Euroclear Holders and of Clearstream Holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

Secondary market trading between Euroclear participants and/or Clearstream participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

ROC Settlement and Trading

The Issuer has not entered into any settlement agreement with TDCC and has no intention to do so.

In the future, if the Issuer enters into a settlement agreement with TDCC, an investor, if it has a securities book-entry account with a Taiwan securities broker and a foreign currency deposit account with a Taiwanese bank, may settle the Notes through the account of TDCC with Euroclear or Clearstream if it applies to TDCC (by filing in a prescribed form) to transfer the Notes in its own account with Euroclear or Clearstream to such TDCC account with Euroclear or Clearstream for trading in the domestic market or vice versa for trading in overseas markets. For settlement through TDCC, TDCC will allocate the respective Notes position to the securities book-entry account designated by such investor in the ROC. The Notes will be traded and settled pursuant to the applicable rules and operating procedures of TDCC and the TPEx as domestic bonds. For such investors who hold their interest in the Notes through an account opened and held by TDCC with Euroclear or Clearstream, distributions of principal and/or interest for the Notes to such holders may be made by payment services banks whose systems are connected to TDCC to the foreign currency deposit accounts of the holders. Such payment is expected to be made on the second Taiwanese business day following TDCCs receipt of such payment (due to time difference, the payment is expected to be received by TDCC one Taiwanese business day after the distribution date). However, when the holders actually receive such distributions may vary depending upon the daily operations of the Taiwanese banks with which the holder has the foreign currency deposit account.

TAXATION

Korean Taxation

Republic of Korea

The information provided below does not purport to be a complete summary of Korean tax law and practice currently applicable. This summary is based on laws, regulations, rulings and decision in effect as of the date of this Offering Circular. These laws, regulations, rulings and/or decisions may change; any such change could apply retroactively and could affect the continued validity of this summary. In addition, this summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. Prospective investors who are in any doubt as to their tax position should consult with their own professional advisors.

The taxation of non-resident individuals and non-Korean corporations ("Non-Residents") depends on whether they have a "permanent establishment" (as defined under Korean law and applicable tax treaty) in Korea to which the relevant Korean source income is attributable or with which such income is effectively connected. Non-Residents without a permanent establishment in Korea are taxed in the manner described below. Non-Residents with permanent establishments in Korea are taxed in accordance with different rules.

Tax on Interest

Interest paid to Non-Residents (excluding payments to their permanent establishment in Korea) on the Notes, being foreign currency denominated bonds issued outside Korea, is exempt from income tax and corporation tax (whether payable by withholding or otherwise) pursuant to the Special Tax Treatment Control Law of Korea (the "STTCL").

If the tax exemption under the STTCL referred to above were to cease to be in effect, the rate of income tax or corporation tax applicable to interest on the Notes, for a Non-Resident without a permanent establishment in Korea, would be 14% of income. In addition, a tax surcharge called a local income tax would be imposed at the rate of 10% of the income tax or corporation tax (raising the total tax rate to 15.4%).

The tax is withheld by the payer or us.

The tax rates may be reduced by an applicable tax treaty, convention or agreement between Korea and the country of the recipient of the income. The relevant tax treaties are discussed below.

Tax on Capital Gains

Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident without a permanent establishment in Korea from the sale of the Notes to Non-Residents (other than to their permanent establishments in Korea). In addition, capital gains earned by Non-Residents with or without permanent establishments in Korea from the transfer taking place outside Korea of the Notes are currently exempt from taxation by virtue of the STTCL, provided that the issuance of the Notes is deemed to be an overseas issuance under the STTCL.

If the exclusion or exemption from Korean taxation referred to above were to cease to be in effect, in the absence of an applicable treaty reducing or eliminating tax on capital gains, the applicable rate of tax would be the lower of 11% (including local income tax) of the gross realization proceeds and (subject to the production of satisfactory evidence of the acquisition cost and certain direct transaction costs of the relevant Note) 22% (including local income tax) of the realized gain (i.e., the excess of the gross realization proceeds over the acquisition cost and certain direct transaction costs) made. If such evidence shows that no gain (or a loss) was made on the sale, no Korean tax is payable. With respect to computing the above-mentioned 22% withholding taxes (including local income tax) on the realized gain, please note that there is no provision under relevant Korean law for offsetting gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of Notes issued by Korean companies. The purchaser or any other designated withholding agent of Notes is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority. Unless the seller can claim the benefit of an exemption from tax under an applicable tax treaty or on the failure of the seller to produce satisfactory evidence of his acquisition cost and certain direct transaction costs in relation to the instruments being sold, the purchaser or such withholding agent must withhold an amount equal to 11% of the gross realization proceeds. Any amounts withheld by the purchaser or withholding agent must be paid to the competent Korean tax office. The purchaser or withholding agent must pay any withholding tax no later than the tenth day of the month following the month in which the payment for the purchase of the relevant instruments occurred. Failure to transmit the withheld tax to the Korean tax authorities in time subjects the purchaser or the withholding agent to penalties under Korean tax laws. The Korean tax authorities may attempt to collect such tax from a Non-Resident who is liable for payment of any Korean tax on gains, as a purchaser or withholding agent who is obliged to withhold such tax, through proceedings against payments due to the Non-Resident from its Korean investments and the assets or revenues of any of the Non-Resident’s branch or representative offices in Korea.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his death he was domiciled in Korea or had resided in Korea for at least 183 days and (b) all property located in Korea which passes on death (irrespective of the domicile of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and the rate varies according to the identity of the persons involved. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Under Korean inheritance and gift tax laws, bonds issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned. And, consequently, the Korean inheritance and gift taxes will be imposed on transfers of the Notes by inheritance or gift. Holders should consult their personal tax advisors regarding the consequences of the imposition of the Korean inheritance or gift tax.

Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by the Holders in connection with the issue of the Notes except for a nominal amount of stamp duty on certain documents executed in Korea which will be paid by us. No securities transaction tax will be imposed upon the transfer of the Notes.

Tax Treaties

At the date of this Offering Circular, Korea has tax treaties with, *inter alia*, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, China, Czech Republic, Denmark, Egypt, Finland, France, Germany, Hong Kong, India, Indonesia, Ireland, Italy, Japan, Luxembourg, Malaysia, Mexico, Mongolia, the Netherlands, New Zealand, Norway, Pakistan, Philippines, Poland, Republic of Fiji, Romania, Singapore, Spain, Sri Lanka, Sweden, Switzerland, Thailand, Tunisia, Turkey, the United Kingdom, the United States of America and Vietnam under which the rate of withholding tax on interest is reduced, generally to between 5 and 16.5% (including local income tax), and the tax on capital gains is often eliminated.

Each Holder should inquire whether he is entitled to the benefit of a tax treaty with respect to any transaction involving the Notes. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest payments to file with the payer or the Issuer a certificate as to his country of tax residence. In the absence of sufficient proof, the payer or we, as the case may be, must withhold taxes in accordance with the above discussion.

Further, in order for a non-resident to obtain the benefit of a tax exemption under an applicable tax treaty, Korean tax law requires such non-resident (or its agents) to submit to the payer of such Korean source income an application for tax exemption under a tax treaty along with a certificate of tax residency of such non-resident issued by a competent authority of the non-resident's country of residence, subject to certain exceptions. If Korean source income is paid to an overseas investment vehicle, the overseas investment vehicle must collect the application for tax exemption and the certificate of tax residency from the beneficial owners of the Korean source income, and submit a Report of Overseas Investment Vehicle and a Schedule of Beneficial Owners, together with the application for tax exemption and the certificate of tax residency received from the beneficial owners of the Korean source income, with certain exceptions. The payer of such Korean source income, in turn, is required to submit such exemption application to the relevant district tax office in Korea by the ninth day of the month following the date of the first payment of such income. However, this requirement does not apply to tax exemptions under Korean tax law such as the STTCL. Furthermore, in order to obtain a reduced rate of withholding tax on interest, a Non-Resident as a beneficial owner of the interest, must submit to the payer of the interest, prior to the payment date, the Application for Entitlement to Reduced Tax Rate. If interest is paid to an overseas investment vehicle, the overseas investment vehicle must collect the Application for Entitlement to Reduced Tax Rate from the beneficial owners and submit a Report of Overseas Investment Vehicle and a Schedule of Beneficial Owners, together with the Application for Entitlement to Reduced Tax Rate received from the beneficial owners, with certain exceptions.

Withholding and Gross Up

As mentioned above, interest on the Notes is exempt from any withholding or deduction on account of income tax or corporation tax pursuant to the STTCL. However, in the event that the payer or the Issuer is required by law to make any withholding or deduction for or on account of any Korean taxes (as more fully described in "Terms and Conditions of the Notes — Additional Amounts") the Issuer has agreed to pay (subject to the customary exceptions as set out in "Terms and Conditions of the Notes — Additional Amounts") such Additional Amounts as may be necessary in order that the net amounts received by the Holder of any Note after such withholding or deduction shall equal the respective amounts which would have been received by such Holder in the absence of such withholding or deduction.

ROC Taxation

The following summary of certain taxation provisions under ROC law is based on current law and practice and that the Notes will be issued, offered, sold and re-sold directly or indirectly, only to professional investors as defined under Paragraph 1 of Article 2-1 of the TPEx Rules of the ROC. It does not purport to be comprehensive and does not constitute legal or tax advice. Investors (particularly those subject to special tax rules, such as banks, dealers, insurance companies and tax-exempt entities) should consult with their own tax advisers regarding the tax consequences of an investment in the Notes. Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below.

Interest on the Notes

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

Payments of any interest or deemed interest under the Notes to an ROC individual holder are not subject to ROC income tax as such payments received by him/her are not considered to be ROC sourced income. However, such holder must include the interest or deemed interest in calculating his/her basic income for the purpose of calculating his/her alternative minimum tax ("AMT"), unless the sum of the interest or deemed interest and other non-ROC sourced income received by such holder and the person(s) who is (are) required to jointly file the tax return in a calendar year is below 1 million New Taiwan Dollars ("NT$"). If the amount of the AMT exceeds the annual income tax calculated pursuant to the ROC Income Basic Tax Act (also known as the AMT Act), the excess becomes such holder's AMT payable.

ROC corporate holders must include any interest or deemed interest receivable under the Notes as part of their taxable income and pay income tax at a flat rate of 20%. (unless the total taxable income for a fiscal year is NT$120,000 or under), as they are subject to income tax on their worldwide income on an accrual basis. The AMT is not applicable.

Sale of the Notes

In general, the sale of corporate bonds or financial bonds is subject to 0.1%. securities transaction tax ("STT") on the transaction price. However, Article 2-1 of the Securities Transaction Tax Act prescribes that STT will cease to be levied on the sale of corporate bonds and financial bonds from January 1, 2010 to December 31, 2026. Therefore, the sale of the Notes will be exempt from STT if the sale is conducted on or before December 31, 2026. Starting from

January 1, 2027, any sale of the Notes will be subject to STT at 0.1%. of the transaction price, unless otherwise provided by the tax laws that may be in force at that time.

Capital gains generated from the sale of bonds are exempt from ROC income tax. Accordingly, ROC individual or corporate holders are not subject to ROC income tax on any capital gains generated from the sale of the Notes. In addition, ROC individual holders are not subject to AMT on any capital gains generated from the sale of the Notes. However, ROC corporate holders should include the capital gains in calculating their basic income for the purpose of calculating their AMT. If the amount of the AMT exceeds the annual income tax calculated pursuant to the ROC Income Basic Tax Act, the excess becomes the ROC corporate holders' AMT payable. Capital losses, if any, incurred by such holders could be carried over 5 years to offset against capital gains of same category of income for the purposes of calculating their AMT.

Non-ROC corporate holders with a fixed place of business (e.g., a branch) or a business agent in the ROC are not subject to ROC income tax on any capital gains generated from the sale of the Notes. However, their fixed place of business or business agent should include any such capital gains in calculating their basic income for the purpose of calculating AMT.

As to non-ROC corporate holders without a fixed place of business and a business agent in the ROC, they are not subject to ROC income tax or AMT on any capital gains generated from the sale of the Notes.

PLAN OF DISTRIBUTION

Under the terms and conditions contained in a purchase agreement dated March 16, 2021 (the "Purchase Agreement"), the Issuer has agreed to sell to SG Securities (HK) Limited, Taipei Branch, HSBC Bank (Taiwan) Limited, Crédit Agricole Corporate and Investment Bank, Taipei Branch, Capital Securities Corporation, Cathay United Bank Co., Ltd., Fubon Securities Co., Ltd., KGI Bank Co., Ltd., President Securities Corporation, and Taishin International Bank Co., Ltd. (the "Initial Purchasers") the following principal amount of Notes.

Initial Purchasers	**Principal Amount of the Notes**
SG Securities (HK) Limited, Taipei Branch	US$127,500,000
HSBC Bank (Taiwan) Limited	US$2,000,000
Crédit Agricole Corporate and Investment Bank, Taipei Branch	US$500,000
Capital Securities Corporation	US$15,000,000
Cathay United Bank Co., Ltd.	US$10,000,000
Fubon Securities Co., Ltd.	US$10,000,000
KGI Bank Co., Ltd.	US$10,000,000
President Securities Corporation	US$5,000,000
Taishin International Bank Co., Ltd.	US$20,000,000
Total	US$200,000,000

The Purchase Agreement provides that the Initial Purchasers are obligated to purchase all of the Notes, if any are purchased. The Purchase Agreement also provides that if an Initial Purchaser defaults, the purchase commitments of non-defaulting Initial Purchasers may be increased or the offering may be terminated. Each of the Initial Purchasers proposes to offer the Notes initially at the offering price on the cover page of this Offering Circular. After the initial offering, the offering price may be changed.

We have agreed to indemnify each of the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the Purchase Agreement, such as the receipt by the Initial Purchasers of officer's certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

Commissions and Discounts

The purchase price for the Notes will be the offering price set forth on the cover page of this Offering Circular net of underwriting and management commissions. After the initial offering, the offering price or any other term of the offering may be changed.

New Issue of Notes

The Notes are a new issue of securities with no established trading market. The Initial Purchasers have advised that they presently intend to make a market in the Notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. The Issuer cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the Issuer's operating performance and financial condition, general economic conditions and other factors.

Settlement

Delivery of the Notes is expected on or about March 23, 2021.

No Sales of Similar Securities

For a period of thirty (30) days after the date hereof, the Issuer will not, without the prior written consent of the Initial Purchasers, (i) offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any debt securities (other than those denominated in Korean Won) issued or guaranteed by the Issuer and having a maturity of more than one year from the date of issue, (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Notes, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Notes or such other securities, in cash or otherwise or (iii) publicly disclose the intention to make any transaction described in clause (i) or (ii) above. The Issuer will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances where such offer, sale, pledge, contract or disposition would cause the exemption afforded by the safe harbor of Regulation S to cease to be applicable to the offer and sale of the Notes.

Short Positions

In connection with the offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in the offering. The Initial Purchasers must close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the Initial Purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

None of the Issuer and the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, none of the Issuer and the Initial Purchasers make any representation that the Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Selling Restrictions

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Circular or any amendment or supplement to this Offering Circular, in any country or jurisdiction where action for any such purposes is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with applicable laws and regulations.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to any other transactions exempt from, or not subject to, the registration requirements of the Securities Act and applicable state securities laws. In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by an Initial Purchaser (whether or not participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption.

The Initial Purchasers, through their respective affiliates, acting as selling agents where applicable, propose to offer the Notes to certain non-U.S. persons in offshore transactions in reliance on Regulation S. Each of the Initial Purchasers has agreed that, except as permitted under the Purchase Agreement, it will not offer, sell or deliver the Notes within the United States or to U.S. persons.

Terms used in the immediately preceding two paragraphs have the meanings given to them by Regulation S. Transfer of the Notes will be restricted as described under “Transfer Restrictions.”

European Economic Area

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision:

(a) the expression “retail investor” means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

United Kingdom

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(i) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(ii) not a qualified investor as defined in the UK Prospectus Regulation; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

In addition, in the United Kingdom, the Offering Circular is being distributed only to, and is directed only at, persons who are "qualified investors" (as defined in the UK Prospectus Regulation) who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"), or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) persons to whom it would otherwise be lawful to distribute it, all such persons together being referred to as "Relevant Persons". In the United Kingdom, the Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, Relevant Persons. The Offering Circular is and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by any recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a Relevant Person should not act or rely on the offering circular or its contents. The Notes are not being offered to the public in the United Kingdom.

Korea

Each Initial Purchaser has represented and agreed that the Notes have not been and will not be offered, delivered or sold directly or indirectly in Korea or to any resident of Korea (as defined in the Foreign Exchange Transactions Law of Korea and the regulations thereunder) except as otherwise permitted under applicable Korean laws and regulations.

In addition, each Initial Purchaser has confirmed that (i) during the first year after the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a "qualified institutional buyer" (a "Korean QIB", as defined in the Regulation on Issuance, Public Disclosure, Etc. of Securities of Korea) who is registered with KOFIA for Korean QIB bond trading and (ii) the Notes acquired by all Korean QIBs at the time of issuance must be less than 20% of the aggregate principal amount of the Notes. Furthermore, any such Korean QIB must file monthly reports to the KOFIA concerning Korean QIB bondholdings.

Each Initial Purchaser has undertaken to use commercially reasonable best measures as an Initial Purchaser in the ordinary course of its business so that any securities Initial Purchaser to which it sells the Notes confirms that it is purchasing such Notes as principal and agrees with such Initial Purchaser that it will comply with the restrictions described above.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan. Each Initial Purchaser has severally and not jointly represented and agreed that it has not offered or sold, and it will not offer or sell, directly or indirectly, any Notes in Japan or to, or for the account or benefit of, any resident of Japan or to, or for the account or benefit of, any resident for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except (i) pursuant to an exemption from the registration requirements of, or otherwise in compliance with, the Financial Instruments and Exchange Law of Japan and (ii) in compliance with the other relevant laws and regulations of Japan.

Hong Kong

Each Initial Purchaser has represented and agreed that:

Each Initial Purchaser has represented and agreed and each further Initial Purchaser appointed under the Program will be required to represent and agree that:

(a) it has not offered or sold, and will not offer or sell, in Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"), by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.(a)

Taiwan

Each Initial Purchaser has represented and agreed that the Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly to investors other than "professional investors" as defined under Paragraph 1 of Article 2-1 of the TPEx Rules. Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to the aforementioned professional investor.

Singapore

Each Initial Purchaser has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the SFA. Each Initial Purchaser represents, warrants and agrees that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Other Relationships

Some of the Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or the Issuer's affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

The Initial Purchasers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. The Initial Purchasers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to Notes and/or the Issuer's other securities at the same time as the offer and sale of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Notes). The Issuer has been advised by the Initial Purchasers that they may offer and sell Notes to or through any of their respective affiliates and any such affiliate may offer and sell Notes purchased by it to or through any Initial Purchaser.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and the Issuer's affiliates. Certain of the Initial Purchasers or their affiliates may have a lending relationship with the Issuer and may routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered pursuant to this Offering Circular.

Transfer Restrictions Applicable to the Notes

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or the securities laws of any other jurisdiction. The Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to the registration requirements of the Securities Act. Terms used in this section are defined in Regulation S.

Each purchaser of the Notes hereunder will be deemed to have represented and agreed as follows:

(1) the purchaser has offered or sold the Notes, and will offer and sell the Notes, as part of the purchaser's distribution at any time, only to, or for the account or benefit of, persons who are not U.S. persons (as defined in Rule 902 of the Securities Act) in offshore transactions outside the United States in accordance with Regulation S under the Securities Act, and the purchaser, the purchaser's Affiliates (and any persons acting on behalf thereof) have complied, and will comply, with the offering restrictions requirements of Regulation S;

(2) the purchaser agrees that neither the purchaser nor any of the purchaser's Affiliates (or any persons acting on behalf thereof) has engaged, or will engage, in any "directed selling efforts" within the meaning of Regulation S under the Securities Act in connection with the offering of the Notes;

(3) the purchaser acknowledges that until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States or to any non-U.S. person by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act;

(4) at or prior to the confirmation of sale of any Notes sold in reliance on Regulation S, the purchase will have sent to each distributor, dealer or other person receiving a selling concession, fee or other remuneration that purchases Notes from it during the restricted period a confirmation or notice to substantially the following effect:

THE NOTES COVERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS AS PART OF THEIR DISTRIBUTION AT ANY TIME, EXCEPT IN ACCORDANCE WITH REGULATION S. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S;

(5) Prior to or simultaneously with the confirmation of sale by the purchaser to any purchaser of any of the Notes purchased by the purchaser from the Issuer pursuant hereto, the purchaser shall have furnished to that purchaser a copy of the Offering Circular (and any amendment or supplement thereto that the Issuer shall have furnished to the purchaser prior to the date of such confirmation of sale); and

(6) the Notes will bear legends to the following effect, unless the Issuer determines otherwise in compliance with applicable law, and such purchaser will observe the restrictions contained therein:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR AND CLEARSTREAM TO WOORI CARD CO., LTD. ("THE COMPANY") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CITIBANK, N.A., LONDON BRANCH OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR AND CLEARSTREAM (AND ANY PAYMENT IS MADE TO CITIBANK, N.A., LONDON BRANCH OR TO SUCH OTHER ENTITY AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR AND CLEARSTREAM), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CITIBANK, N.A., LONDON BRANCH, HAS AN INTEREST HEREIN.

Transfer Restrictions under Korean Laws and Regulations

Each purchaser of the Notes, by accepting delivery of this Offering Circular, will be deemed to have acknowledged, represented and agreed as follows:

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT (THE "FSCMA"). AND UNDER THE CURRENT LAWS AND REGULATIONS OF KOREA, SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE TRANSFERRED OR SOLD TO ANY RESIDENT OF KOREA WITHIN ONE YEAR FROM THE DATE OF THE ISSUANCE OF THE NOTES. ACCORDINGLY, THE NOTES MAY NOT BE

OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA (AS SUCH TERM IS DEFINED UNDER THE FOREIGN EXCHANGE TRANSACTION LAW OF KOREA AND ITS ENFORCEMENT DECREE), EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS.

IN ADDITION, WITHIN ONE YEAR FOLLOWING THE ISSUANCE OF THE NOTES, THE NOTES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A QUALIFIED INSTITUTIONAL BUYER (OR A "QIB", AS DEFINED IN THE REGULATION ON ISSUANCE, PUBLIC DISCLOSURE, ETC. OF SECURITIES OF KOREA) REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION (THE "KOFIA") AS A QIB AND SUBJECT TO THE REQUIREMENT OF MONTHLY REPORTS WITH THE KOFIA OF ITS HOLDING OF QIB BONDS AS DEFINED IN THE REGULATION ON ISSUANCE, PUBLIC DISCLOSURE, ETC. OF SECURITIES OF KOREA, PROVIDED THAT (A) THE NOTES ARE DENOMINATED, AND THE PRINCIPAL AND INTEREST PAYMENTS THEREUNDER ARE MADE, IN A CURRENCY OTHER THAN KOREAN WON, (B) THE AMOUNT OF THE NOTES ACQUIRED BY SUCH QIBS IN THE PRIMARY MARKET IS LIMITED TO LESS THAN 20% OF THE AGGREGATE ISSUE AMOUNT OF THE NOTES, (C) THE NOTES ARE LISTED ON ONE OF THE MAJOR OVERSEAS SECURITIES MARKETS DESIGNATED BY THE FINANCIAL SUPERVISORY SERVICE OF KOREA, OR CERTAIN PROCEDURES, SUCH AS REGISTRATION OR REPORT WITH A FOREIGN FINANCIAL INVESTMENT REGULATOR, HAVE BEEN COMPLETED FOR OFFERING OF THE NOTES IN A MAJOR OVERSEAS SECURITIES MARKET, (D) THE ONE-YEAR RESTRICTION ON OFFERING, DELIVERING OR SELLING OF NOTES TO A KOREAN RESIDENT OTHER THAN A QIB IS EXPRESSLY STATED IN THE NOTES, THE RELEVANT UNDERWRITING AGREEMENT, SUBSCRIPTION AGREEMENT, AND THE OFFERING CIRCULAR AND (E) THE ISSUER AND THE INITIAL PURCHASERS SHALL INDIVIDUALLY OR COLLECTIVELY KEEP THE EVIDENCE OF FULFILLMENT OF CONDITIONS (A) THROUGH (D) ABOVE AFTER HAVING TAKEN NECESSARY ACTIONS THEREFOR.

Transfer Restrictions under Singapore Laws

Where the Notes are initially subscribed or purchased by (i) an institutional investor under Section 274 of the SFA, or (ii) a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, the Notes may only be sold or transferred: (a) at any time, to an institutional investor under Section 274 of the SFA; (b) at any time, to a relevant person defined in Section 275(2) of the SFA or to any person pursuant to an offer referred to in Section 275(1A) of the SFA; or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

LEGAL MATTERS

Simpson Thacher & Bartlett, U.S. counsel to the Initial Purchasers, will pass upon certain legal matters as to New York law relating to the Notes. LAB Partners, the Issuer's Korean counsel, will pass upon certain matters as to Korean law. Lee and Li, Attorneys-at-Law, the Issuer's Taiwanese Legal Counsel, will pass upon certain matters as to Taiwanese law. Simpson Thacher & Bartlett and LAB Partners may rely as to all matters of Taiwanese law on the opinion of Lee and Li, Attorneys-at-Law. Simpson Thacher & Bartlett and Lee and Li, Attorneys-at-Law, may rely as to all matters of Korean law on the opinion of LAB Partners. LAB Partners and Lee and Li, Attorneys-at-Law, may rely as to all matters of New York law on the opinion of Simpson Thacher & Bartlett.

INDEPENDENT AUDITORS

The Issuer's consolidated financial statements as of and for the years ended December 31, 2018 and 2019, which are included herein, have been audited by Deloitte Anjin LLC ("Deloitte"), as stated in their report appearing herein. The Issuer's consolidated financial statements as of and for the year ended December 31, 2017, which are included herein, have been audited by Ernst & Young Han Young, as stated in their report appearing herein.

With respect to the unaudited consolidated interim financial statements as of September 30, 2020 and for the nine months ended September 30, 2020, included herein, Samil PricewaterhouseCoopers ("PwC") have reported that they applied limited procedures in accordance with professional standards for a review of such information. With respect to the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2019, included herein, Deloitte has reported that it applied limited procedures in accordance with professional standards for a review of such information. However, both PwC and Deloitte's separate report included in this Offering Circular state that they did not audit and do not express an opinion on such interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied.

INDEX TO FINANCIAL STATEMENTS

Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and the Board of Directors of
Woori Card Co., Ltd.:

Reviewed Financial Statements

We have reviewed the accompanying consolidated interim financial statements of Woori Card Co., Ltd. and subsidiaries (collectively referred to as the "Group"). These financial statements consist of the consolidated interim statement of financial position as at September 30, 2020, and the related consolidated interim statements of comprehensive income for the three-month and nine-month periods ended September 30, 2020, changes in equity and cash flows for the nine-month period ended September 30, 2020, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS) 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Review Responsibility

Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

We conducted our review in accordance with quarterly or semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 3 of the financial statements. As explained in Note 39, the outbreak of COVID-19 in 2020 may have a negative impact on the Group's financial condition and results of operations. These matters do not affect our conclusion.

Other Matters

The consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2019, changes in equity and cash flows for the nine-month period ended September 30, 2019, presented herein for comparative purposes, were reviewed by Deloitte Anjin LLC whose report dated November 13, 2019. Based on their review, nothing has come to their attention that causes them to believe the accompanying financial statements do not present fairly, in all material respects, in accordance with Korean IFRS 1034 Interim Financial Reporting.

The consolidated financial statements of the Group for the year ended December 31, 2019, were audited by Deloitte Anjin LLC who expressed an unqualified opinion on those statements, not presented herein, on March 12, 2020. The consolidated statement of financial position as at December 31, 2019, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2019.

Review standard and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries.

Samil PricewaterhouseCoopers

November 12, 2020

<u>Notice to Readers</u>

This report is effective as of November 12, 2020, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

WOORI CARD CO., LTD. AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020, AND DECEMBER 31, 2019

	September 30, 2020 (Unaduited)	December 31, 2019
	(Korean Won in millions)	
ASSETS		
Cash and cash equivalents (Notes 4, 5 and 33)	419,010	116,201
Financial assets at fair value through other comprehensive income ("FVTOCI") (Notes 6 and 9)	76,390	85,086
Financial assets at amortized cost (Notes 4, 7, 8, 9, 32 and 33)	10,164,231	9,646,971
Premises and equipment (Note 10)	50,380	56,868
Intangible assets (Note 11)	43,740	43,338
Deferred tax assets (Note 29)	40,230	41,377
Derivative assets (Notes 4, 9 and 16)	11,355	9,366
Net defined benefit assets (Note 15)	-	887
Other assets (Notes 12 and 33)	21,001	87,248
Total assets	10,826,337	10,087,342
LIABILITIES		
Borrowings (Notes 4, 9, 13 and 33)	79,694	4,631
Debentures (Notes 4, 9 and 13)	7,347,855	7,075,968
Provisions (Notes 14 and 31)	60,358	56,815
Net defined benefit liabilities (Notes 15)	4,957	-
Current tax liabilities (Note 29 and 33)	10,982	38,279
Derivative liabilities (Notes 4, 9 and 16)	24,589	6,839
Other financial liabilities (Notes 4, 9, 17and 33)	1,050,739	915,988
Other liabilities (Notes 17)	214,113	200,655
Total liabilities	8,793,287	8,299,175
EQUITY		
Owners' equity:	2,033,050	1,788,167
Capital stock (Note 18)	896,331	896,331
Hybrid securities (Note 18)	149,913	-
Capital surplus (Note 18)	121,518	121,518
Other equity (Note 19)	10,750	21,876
Retained earnings (Note 20 and 21) (Regulatory reserves for credit loss as of September 30, 2020, and December 31, 2019, are 407,903 million Won and 387,181 million Won, respectively. Planned provisions for regulatory reserves for credit loss as of September 30, 2020, and December 31, 2019, are 21,889 million Won and 20,722 million Won, respectively.)	854,538	748,442
Non-Controlling interests	-	-
Total equity	2,033,050	1,788,167
Total liabilities and equity	10,826,337	10,087,342

The accompanying notes are part of these consolidated interim financial statements.

WOORI CARD CO., LTD. AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

	Periods ended September 30, 2020 (Unaudited)		Periods ended September 30, 2019 (Unaudited)	
	Three-month	Nine-month	Three-month	Nine-month
	(Korean Won in millions, except for per share data)			
Interest income	179,756	542,407	185,252	540,762
Interest expense	40,414	122,773	42,628	130,845
Net interest income (Notes 22 and 33)	**139,342**	**419,634**	**142,624**	**409,917**
Fees and commissions income	130,090	381,120	138,899	407,230
Fees and commissions expense	139,840	419,880	140,104	424,751
Net fees and commissions income (expense) (Notes 23 and 33)	**(9,750)**	**(38,760)**	**(1,205)**	**(17,521)**
Dividend income (Note 24)	-	6,752	-	5,836
Net gain on financial instruments at fair value through profit or loss (“FVTPL”) (Korean IFRS 1109) (Note 25)	248	1,002	400	1,055
Financial assets at amortized cost	135	27,056	(3)	17,687
Impairment losses due to credit loss (Notes 26 and 33)	41,259	150,709	61,197	190,524
General and administrative expenses (Note 27)	49,313	145,997	45,262	136,439
Other net operating income (expense) (Notes 27 and 33)	(3,950)	19,365	761	14,059
Operating income	**35,453**	**138,343**	**36,118**	**104,070**
Non-operating income (expenses) (Note 28)	671	2,064	424	19,963
Net income before income tax expense	**36,124**	**140,407**	**36,542**	**124,033**
Income tax expense (Note 29)	8,367	32,996	8,212	29,202
Net income (Note 21) (After the provision of regulatory reserves for credit loss for the three-month and nine-month periods ended September 30, 2020, of 9,326 million Won and 85,512 million Won, respectively. After the provision of regulatory reserves for credit loss for the three-month and nine-month periods ended September 30, 2019, of (-)460 million Won and 50,753 million Won, respectively.)	**27,757**	**107,411**	**28,330**	**94,831**

(Continued)

WOORI CARD CO., LTD. AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019 (CONTINUED)

	Periods ended September 30, 2020 (Unaudited)		Periods ended September 30, 2019 (Unaudited)	
	Three-month	Nine-month	Three-month	Nine-month
	(Korean Won in millions, except for per share data)			
Net gain (loss) on valuation of financial assets at FVTOCI	12,099	(6,441)	2,153	1,273
Remeasurement of the net defined benefit liabilities	27	(1,627)	(238)	(2,849)
Items that will not be reclassified to profit or loss	**12,126**	**(8,068)**	**1,915**	**(1,576)**
Cash flow hedging gains (losses) on valuation of derivatives	5,800	(5,539)	(465)	(1,917)
Gain on foreign currency translation of foreign operations	548	2,456	385	939
Items that may be reclassified to profit or loss	**6,348**	**(3,083)**	**(80)**	**(978)**
Other comprehensive income, net of tax (Note 19)	**18,474**	**(11,151)**	**1,835**	**(2,554)**
Total comprehensive income	**46,231**	**96,260**	**30,165**	**92,277**
Net income attributable to:	27,757	107,411	28,330	94,831
Net income attributable to owners	27,757	107,411	28,330	94,831
Net income attributable to non-controlling interests	-	-	-	
Total comprehensive income attributable to:	**46,231**	**92,260**	**30,165**	**92,277**
Comprehensive income attributable to owners	46,231	92,260	30,165	92,277
Comprehensive income attributable to non-controlling interests	-	-	-	-
Net income per share (in Korean won) (Note 30)	**148**	**593**	**158**	**529**
Basic earnings per common share and diluted earnings per common share	148	593	158	529

The accompanying notes are part of these consolidated interim financial statements.

WOORI CARD CO., LTD. AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

	Capital stock	Hybrid securities	Capital surplus	Other equity	Retained earnings	Controlling interests	Non - Controlling interests	Total
				(Korean Won in millions)				
January 1, 2019	**896,331**	**-**	**127,097**	**24,292**	**634,244**	**1,681,964**	**-**	**1,681,964**
Net income	-	-	-	-	94,831	94,831	-	94,831
Business combination involving entities or businesses under common control			(5,579)			(5,579		(5,579
Net gain on valuation of financial assets at FVTOCI	-	-	-	1,273	-	1,273	-	1,273
Remeasurement of the net defined benefit liabilities	-	-	-	(2,849)	-	(2,849)	-	(2,849)
Cash flow hedging gains or losses on valuation of derivatives	-	-	-	(1,917)	-	(1,917)	-	(1,917)
Loss on foreign currency translation of foreign operations	-	-	-	939	-	939	-	939
September 30, 2019 (Unaudited)	**896,331**	**-**	**121,518**	**21,738**	**729,075**	**1,768,662**	**-**	**1,768,662**
January 1, 2020	896,331	-	121,518	21,876	748,442	1,788,167	-	1,788,167
Net income	-	-	-	-	107,411	107,411	-	107,411
Net gain (loss) on valuation of financial assets at FVTOCI	-	-	-	(6,441)	-	(6,441)	-	(6,441)
Net gain (loss) on disposal of financial assets at FVTOCI	-	-	-	25	(25)	-	-	-
Remeasurement of the net defined benefit liabilities	-	-	-	(1,627)	-	(1,627)	-	(1,627)
Cash flow hedging gains or losses on valuation of derivatives	-	-	-	(5,539)	-	(5,539)	-	(5,539)
Loss on foreign currency translation of foreign operations	-	-	-	2,456	-	2,456	-	2,456
Issuance of hybrid securites	-	149,913	-	-	-	149,913	-	149,913

Dividends of hybrid securities	-	-	-	-	(1,290)	(1,290)	-	(1,290)
September 30, 2020 (Unaudited)	**896,331**	**149,913**	**121,518**	**10,750**	**854,538**	**2,033,050**	**-**	**2,033,050**

The accompanying notes are part of these consolidated interim financial statements.

WOORI CARD CO., LTD. AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

	For the nine-month periods ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
	(Korean Won in millions)	
Cash flows from operating activities:		
Net income	107,411	94,831
Adjustment to net income:		
Income tax expense	32,996	29,202
Dividend income	(6,752)	(5,836)
Interest income	(542,407)	(540,762)
Interest expense	122,773	130,845
	(393,390)	(386,551)
Additions of expenses not involving cash outflows:		
Impairment losses due to credit loss	150,709	190,524
Depreciation	14,241	14,193
Disposal loss on tangible assets	5	262
Amortization	10,371	7,455
Retirement benefits	4,441	4,139
Loss on valuation of derivatives	16,689	-
Loss on trading of derivatives	253	-
Transfer in other provisions	123	314
Loss on translation of foreign currency	6,761	45,458
Others	-	5,070
	203,593	267,415
Deductions of revenues not involving cash inflows:		
Gain on disposal of financial assets at FVTOCI	-	1,055
Gain on valuation of derivatives	6,700	45,187
Gain on trading of derivatives	403	-
Reversal of other provision	199	32
Gain on translation of foreign currency	17,451	935
Others	6	8,590
	24,759	55,799
Changes in operating assets and liabilities:		
Financial assets at amortized cost	(716,079)	(219,555)
Other assets	(6,975)	(61,391)
Provision	(138)	(6,692)
Net defined benefit liabilities	(842)	(3,963)
Other financial liabilities	139,110	128,643
Other liabilities	16,548	9,470
	(568,376)	(153,488)

(Continued)

WOORI CARD CO., LTD. AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019
(CONTINUED)

	For the nine-month periods ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
	(Korean Won in millions)	
Cash received from (paid for) operating activities:		
Income tax paid	(56,337)	(24,931)
Dividend received	6,752	5,836
Interest income received	542,320	541,741
Interest expense paid	(110,280)	(113,732)
Net cash inflow(outflow) from operating activities	(293,066)	175,322
Cash flows from investing activities:		
Cash inflows from investing activities:		
Disposal of financial instruments at FVTOCI	74	-
Decrease of guarantee deposits	330	3,960
Business combination involving entities or businesses under common control	-	34,743
	404	38,703
Cash outflows for investing activities:		
Acquisition of financial assets at FVTOCI	262	213
Acquisition of premises and equipment	7,047	10,996
Acquisition of intangible assets	10,769	9,005
Increase of guarantee deposits	178	2,850
Net cash inflow(outflow) investing activities	(17,852)	15,639
Cash flows from financing activities:		
Cash inflows from financing activities:		
Issuance of hybird securites	149,913	-
Increase in borrowings	210,000	-
Issuance of debentures	10,033,951	11,996,316
	10,393,864	11,996,316
Cash outflows for financing activities:		
Dividends of hybrid securities	1,290	-
Repayment of borrowings	135,000	-
Repayment of debentures	9,638,000	12,053,610
Decrease in lease liabilities	6,541	6,725
	9,780,831	12,060,335
Net cash inflow(outflow) from financing activities	613,033	(64,019)
Net increase(decrease) in cash and cash equivalents	**302,115**	**126,942**
Cash and cash equivalents at the beginning of period	**116,201**	**362,202**
Effects of exchange rate changes on cash and cash equivalents	694	-

Cash and cash equivalents at the end of period (Note 5)	**419,010**	**489,144**

The accompanying notes are part of these consolidated interim financial statements.

1. GENERAL

(1) Summary of the parent company

Headquarters of Woori Card Co., Ltd. (the Company) is located in 50, Jong-ro 1-gil, Jongno-gu, Seoul, Korea and was incorporated on April 1, 2013, as a result of spin-off from Woori Bank. The Company was established for the purpose of engaging in credit card business, and the Company started its business after the completion of the registration process on April 1, 2013. The Company is engaged in credit sales business, cash advance services, card loan services and others under the Specialized Credit Financial Business Act of Korea. The Company is subject to the laws, regulations and ordinance of the Specialized Credit Financial Business Act.

As of September 30, 2020, the Company maintains approximately 13.76 million of credit card and debit card members, and Woori Financial Group holds 100% ownership of the Company as a result of the comprehensive stock transfer between Woori Bank and Woori Financial Group.

(2) The consolidated interim financial statements of Woori Card Co., Ltd. and subsidiaries (collectively referred to as the “Group”) include the following subsidiaries:

Name of subsidiay	Location	Main business	Percentage of ownership (%) September 30, 2020	Percentage of ownership (%) December 31, 2019	Consolidated interim financial statements as of
TUTU Finance-WCI Myanmar Co., Ltd.	Myanmar	Finance	100.0	100.0	September 30
Woori Card 2017-1 Asset Securitization Specialty Co., Ltd. (*1, 2)	Korea	Asset securitization	-	0.5	-
Woori Card 2017-2 Asset Securitization Specialty Co., Ltd. (*1)	Korea	Asset securitization	0.5	0.5	September 30
Woori Card 2018-1 Asset Securitization Specialty Co., Ltd. (*1)	Korea	Asset securitization	0.5	0.5	September 30
Woori Card 2019-1 Asset Securitization Specialty Co., Ltd. (*1)	Korea	Asset securitization	0.5	0.5	September 30
Woori Card 2020-1 Asset Securitization Specialty Co., Ltd. (*1)	Korea	Asset securitization	0.5	-	September 30

(*1) Although the Group is not a majority shareholder, the Group 1) has the power over the investee, 2) is exposed to or has rights to variable returns from its involvement with the investee, and 3) has the ability to use its power to affect its returns.
(*2) The liquidation has been completed as of September 30, 2020.

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

	September 30, 2020			
Name of subsidiay	Assets	Liabilities	Total equity	Capital stock
TUTU Finance-WCI Myanmar Co., Ltd.	37,001	8,393	28,608	19,664
Woori Card 2017-2 Asset Securitization Specialty Co., Ltd.	291,693	292,128	(435)	-
Woori Card 2018-1 Asset Securitization Specialty Co., Ltd.	300,044	300,044	-	-
Woori Card 2019-1 Asset Securitization Specialty Co., Ltd.	233,823	237,464	(3,641)	-
Woori Card 2020-1 Asset Securitization Specialty Co., Ltd.	332,931	335,064	(2,133)	-

	September 30, 2020			
Name of subsidiay	Other equity	Retained earnings	Operating gains	Net gains and losses attributable to owners
TUTU Finance-WCI Myanmar Co., Ltd.	3,960	4,984	7,305	2,965
Woori Card 2017-2 Asset Securitization Specialty Co., Ltd.	(435)	-	8,696	-
Woori Card 2018-1 Asset Securitization Specialty Co., Ltd.	-	-	4,572	-
Woori Card 2019-1 Asset Securitization Specialty Co., Ltd.	(3,641)	-	5,467	-
Woori Card 2020-1 Asset Securitization Specialty Co., Ltd.	(2,133)	-	17,359	-

	December 31, 2019			
Name of subsidiay	Assets	Liabilities	Total equity	Capital stock
TUTU Finance-WCI Myanmar Co., Ltd.	29,707	7,451	22,256	19,664
Woori Card 2017-1 Asset Securitization Specialty Co., Ltd.	60,215	60,216	(1)	-
Woori Card 2017-2 Asset Securitization Specialty Co., Ltd.	346,855	348,917	(2,062)	-
Woori Card 2018-1 Asset Securitization Specialty Co., Ltd.	300,073	300,073	-	-
Woori Card 2019-1 Asset Securitization Specialty Co., Ltd.	233,838	234,481	(643)	-

	December 31, 2019			
Name of subsidiay	Other equity	Retained earnings	Operating gains	Net gains and losses attributable to owners
TUTU Finance-WCI Myanmar Co., Ltd.	573	2,019	5,919	2,717
Woori Card 2017-1 Asset Securitization Specialty Co., Ltd.	(1)	-	23,775	-
Woori Card 2017-2 Asset Securitization Specialty Co., Ltd.	(2,062)	-	21,651	-
Woori Card 2018-1 Asset Securitization Specialty Co., Ltd.	-	-	6,077	-
Woori Card 2019-1 Asset Securitization Specialty Co., Ltd.	(643)	-	2,660	-

(4) For the nine-month period ended September 30, 2020, the newly consolidated subsidiaries or subsidiaries excluded from consolidation are as follows:

Classcification	Name of subsidiay	Reason
New	Woori Card 2020-1 Asset Securitization Specialty Co., Ltd.	Establishment

Excluded	Woori Card 2017-1 Asset Securitization Specialty Co., Ltd.	Liquidation

2. SIGNIFICANT BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated interim financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The Group's consolidated interim financial statements for the nine-month periods ended September 30, 2020 and 2019, have been prepared in accordance with Korean IFRS 1034 Interim Financial Reporting. It is necessary to use the Group's annual consolidated financial statements for the year ended December 31, 2019 for understanding of the accompanying interim financial statements.

Except for the impacts on the newly adopted standards and interpretations explained below, the accounting policies applied in preparing the accompanying consolidated interim financial statements have been applied consistently with the annual consolidated financial statements as of and for the year ended December 31, 2019.

1) The newly introduced standards and interpretations for the nine-month period ended September 30, 2020 and the resulting changes in accounting policies are as follows:

- Amendments to Korean IFRS 1001 Presentation of Financial Statements and Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors – Definition of Materiality

  The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Group. The amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1103 Business Combination – Definition of a Business

  To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. The amendment does not have a significant impact on the financial statements.

2) The following are the details of the Korean IFRS that have been issued as of September 30, 2020, but have not yet been applied because the effective date has not yet arrived.

- Amendments to Korean IFRS 1116 Lease – Practical expedient for COVID-19-Related Rent Exemption, Concessions, Suspension

The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic. For those who applied this accounting treatment shall account for changes in lease payments, such as rent discounts, consistently with the way the standard specifies when those changes are not lease changes. These amendments apply for the fiscal year beginning on or after September 1, 2020, and early subscription is possible. The amendment does not have a significant impact on the financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Management shall make judgements, estimates and assumptions that affect the application of accounting policies and application of assets, liabilities and revenues and expenses in preparing the Group’s interim financial statements. Therefore, the actual results may differ from these estimates.

The important judgements by the management on accounting policies and the main sources of estimation uncertainty for preparing condensed interim financial statements are identical to ones used in the Group’s annual consolidated financial statements for the year ended December 31, 2019, except as follows.

The outbreak of COVID-19 in 2020 has had a significant impact on the global economy including Korea. Financial and economic shocks may have negative impacts on the Group's financial condition and results of operations in various forms both domestically and internationally, however, the Korean government is providing unprecedented financial and economic relief measures such as extension of maturity of loan receivables. Despite the announcement of these various forms of government support policies, the negative impact of the COVID-19 on the global economy continues.

Due to the influence of COVID-19, major economic forecast indicators have deteriorated rapidly, and the Group believes that there will be significant changes in forward-looking information that will affect expected credit losses. Considering this situation comprehensively, the Group has recomputed the forward-looking information used to estimate expected credit losses in accordance with Korean IFRS 1109 ‘*Financial Instruments*’, thereby setting aside an additional loan-loss allowance of 9,614 million Won. The Group will continue to monitor the impact of COVID-19 on the economy and the government's policies.

4. **RISK MANAGEMENT**

The Group's operating activity is exposed to various financial risks; hence, the Group is required to analyze and assess the level of complex risks and determine the level of risks to be accepted, or to manage the risks. The purpose of the risk management procedure is to improve the soundness of investments and assets held by making decisions to avoid or mitigate risks by identifying the origin and scale of risks.

The Group takes a strategy to eliminate excessive risks from financial instruments and maximize return on risk by managing appropriate levels of risks. Therefore, the Group operates procedures for recognizing risks, measuring and evaluating risks, controlling and monitoring risks.

The risk is managed by the risk management department based on the resolved policy. The risk management committee is the highest decision-making body in risk management and makes decisions on risk strategies such as allocation of risk capital and setting limits.

(1) Credit risk

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

1) Credit risk management

In order to measure credit risk, the Group is considering the possibility of default of the counterparty due to customer or contract obligations, the exposure to the counterparty and the causal relationship to the default exposure, and the rate of loss under the default. The Group is using credit rating model to assess the counterparty's possible default.

2) Credit risk limit management

In order to manage credit risk limit, the Group monitors total exposures and large exposures. The maximum exposures to credit risk as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean won in millions):

		September 30, 2020	December 31, 2019
Balance	Financial assets at amortized cost (Loans and receivables)		
	Due from banks	70,848	20,003
	Loans	198,293	236,258
	Credit card assets	8,078,197	8,129,304
	Credit sales	4,859,486	5,126,469
	Cash advances	462,951	555,947
	Card loan	2,754,799	2,441,999
	Other credit card assets	961	4,889
	Capital financing receivables	988,244	760,016
	Finance lease receivables	474,262	235,011
	Other financial assets at amortized cost	354,387	266,379
	Subtotal	10,164,231	9,646,971
	Derivative assets	11,355	9,366
	Subtotal	10,175,586	9,656,337
Off balance	Unused credit limits	36,754,829	33,120,042
	Subtotal	36,754,829	33,120,042
	Total	46,930,415	42,776,379

3) Credit risk of financial assets at amortized cost and loans and receivables

The credit risk of financial assets at amortized cost and loans and receivables by loan conditions as of Septe,ber 30, 2020, and December 31, 2019, are as follows (Unit: Korean won in millions):

	September 30, 2020							
	Stage 1		Stage 2					
	Above appropriate credit rating (*1)	Less than a limited credit rating (*2)	Above appropriate credit rating (*1)	Less than a limited credit rating (*2)	Stage 3	Total	Loss allowance	Total, net
Due from banks	70,848	-	-	-	-	70,848	-	70,848
Loans	144,424	49,186	478	12,090	10,337	216,515	18,222	198,293
Credit card assets	7,035,255	306,208	523,017	274,405	184,767	8,323,652	245,455	8,078,197
Credit sales	4,389,634	215,484	153,957	140,618	26,634	4,926,327	66,841	4,859,486
Cash advances	369,901	50,863	21,013	36,694	10,753	489,224	26,273	462,951
Card loan	2,274,759	39,861	348,047	97,093	147,380	2,907,140	152,341	2,754,799
Other credit card assets	961	-	-	-	-	961	-	961
Capital financing receivables	880,346	58,855	4,172	50,045	2,558	995,976	7,732	988,244
Finance lease receivables	398,539	33,783	11,753	34,371	1,291	479,737	5,475	474,262
Other financial assets at amortized cost	348,536	1,730	3,373	2,366	305	356,310	1,923	354,387
Total	8,877,948	449,762	542,793	373,277	199,258	10,443,038	278,807	10,164,231

	December 31, 2019							
	Stage 1		Stage 2					
	Above appropriate credit rating (*1)	Less than a limited credit rating (*2)	Above appropriate credit rating (*1)	Less than a limited credit rating (*2)	Stage 3	Total	Loss allowance	Total, net
Due from banks	20,003	-	-	-	-	20,003	-	20,003
Loans	160,804	66,549	770	18,256	8,358	254,737	18,479	236,258
Credit card assets	6,936,486	352,742	551,417	334,417	228,365	8,403,427	274,123	8,129,304
Credit sales	4,570,847	255,897	179,769	166,602	28,710	5,201,825	75,356	5,126,469
Cash advances	446,267	58,128	23,706	46,191	11,030	585,322	29,375	555,947
Card loan	1,914,482	38,717	347,942	121,624	188,625	2,611,390	169,391	2,441,999
Other credit card assets	4,890	-	-	-	-	4,890	1	4,889
Capital financing receivables	649,925	59,563	4,630	50,905	2,065	767,088	7,072	760,016
Finance lease receivables	200,017	11,512	3,790	22,223	697	238,239	3,228	235,011
Other financial assets at amortized cost	258,928	2,078	3,715	3,234	331	268,286	1,907	266,379
Total	8,226,163	492,444	564,322	429,035	239,816	9,951,780	304,809	9,646,971

(*1) Credit grades of corporates are AAA – BBB and of consumers are grades 1–6.

(*2) Credit grades of corporates are BBB- – C and of consumers are grades 7–10.

4) Credit risk of unused credit limits

The credit risks of unused credit limits as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean won in millions):

	September 30, 2020					
	Stage 1		Stage 2			
	Above appropriate credit rating (*1)	Less than a limited credit rating (*2)	Above appropriate credit rating (*1)	Less than a limited credit rating (*2)	Stage 3	Total
Unused credit limits (*3)	35,734,975	575,697	129,434	308,578	6,145	36,754,829

	December 31, 2019					
	Stage 1		Stage 2			
	Above appropriate credit rating (*1)	Less than a limited credit rating (*2)	Above appropriate credit rating (*1)	Less than a limited credit rating (*2)	Stage 3	Total
Unused credit limits (*3)	32,063,783	613,556	117,925	319,860	4,918	33,120,042

(*1) Credit grades of corporates are AAA – BBB and of consumers are grades 1–6.
(*2) Credit grades of corporates are BBB- – C and of consumers are grades 7–10.
(*3) Provision for unused credit limit as of September 30, 2020, and December 31, 2019, is ₩55,387 million and ₩51,631 million, respectively.

5) Industrial distribution of credit risk

Details of the industrial distribution of credit risk of financial assets as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean won in millions):

		September 30, 2020						
		Service	Manufacturing	Bank and insurance	Construction	Consumers	Others	Total
Balance	Due from banks	-	-	70,848	-	-	-	70,848
	Loans	-	-	-	-	198,293	-	198,293
	Credit card assets	438,892	274,192	67,535	80,536	7,176,909	40,133	8,078,197
	Credit sales	438,878	274,189	67,507	80,536	3,959,204	39,172	4,859,486
	Cash advances	14	3	28	-	462,906	-	462,951
	Card loan	-	-	-	-	2,754,799	-	2,754,799
	Other credit card assets	-	-	-	-	-	961	961
	Capital financing receivables	81,957	41,067	62	16,210	838,509	10,439	988,244
	Finance lease receivables	64,708	43,171	1,237	19,445	342,325	3,376	474,262
	Other financial assets at amortized cost	337	142	11,400	55	28,859	313,594	354,387
	Subtotal	585,894	358,572	151,082	116,246	8,584,895	367,542	10,164,231
	Derivative assets	-	-	11,355	-	-	-	11,355
	Subtotal	585,894	358,572	162,437	116,246	8,584,895	367,542	10,175,586
Off balance	Unused credit limits	2,254,034	802,210	375,692	220,812	32,815,223	286,858	36,754,829
	Total	2,839,928	1,160,782	538,129	337,058	41,400,118	654,400	46,930,415

		December 31, 2019						
		Service	Manufacturing	Bank and insurance	Construction	Consumers	Others	Total
Balance	Due from banks	-	-	20,003	-	-	-	20,003
	Loans	894	-	-	-	235,364	-	236,258
	Credit card assets	504,222	209,830	74,032	71,597	7,203,902	65,721	8,129,304
	Credit sales	504,162	209,819	74,015	71,597	4,206,044	60,832	5,126,469
	Cash advances	60	11	17	-	555,859	-	555,947
	Card loan	-	-	-	-	2,441,999	-	2,441,999
	Other credit card assets	-	-	-	-	-	4,889	4,889
	Capital financing receivables	85,690	38,424	105	14,942	611,823	9,032	760,016
	Finance lease receivables	31,589	22,509	1,356	10,507	167,440	1,610	235,011
	Other financial assets at amortized cost	369	140	17,639	54	30,655	217,522	266,379
	Subtotal	622,764	270,903	113,135	97,100	8,249,184	293,885	9,646,971
	Derivative assets	-	-	9,366	-	-	-	9,366
	Subtotal	622,764	270,903	122,501	97,100	8,249,184	293,885	9,656,337
Off balance	Unused credit limits	2,084,319	733,945	305,921	200,143	29,560,620	235,094	33,120,042
	Total	2,707,083	1,004,848	428,422	297,243	37,809,804	528,979	42,776,379

6) Regional distribution of credit risk

Details of the regional distribution of credit risk of financial assets as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean won in millions):

		September 30, 2020		
		Korea	Myanmar	Total
Balance	Due from banks	70,848	-	70,848
	Loans	168,482	29,811	198,293
	Credit card assets	8,078,197	-	8,078,197
	Credit sales	4,859,486	-	4,859,486
	Cash advances	462,951	-	462,951
	Card loan	2,754,799	-	2,754,799
	Other credit card assets	961	-	961
	Capital financing receivables	988,244	-	988,244
	Finance lease receivables	474,262	-	474,262
	Other financial assets at amortized cost	354,107	280	354,387
	Subtotal	10,134,140	30,091	10,164,231
	Derivative assets	11,355	-	11,355
	Subtotal	10,145,495	30,091	10,175,586
Off balance	Unused credit limits	36,754,829	-	36,754,829
	Total	46,900,324	30,091	46,930,415

		December 31, 2019		
		Korea	Myanmar	Total
Balance	Due from banks	20,003	-	20,003
	Loans	212,540	23,718	236,258
	Credit card assets	8,129,304	-	8,129,304
	Credit sales	5,126,469	-	5,126,469
	Cash advances	555,947	-	555,947
	Card loan	2,441,999	-	2,441,999
	Other credit card assets	4,889	-	4,889
	Capital financing receivables	760,016	-	760,016
	Finance lease receivables	235,011	-	235,011
	Other financial assets at amortized cost	266,180	199	266,379
	Subtotal	9,623,054	23,917	9,646,971
	Derivative assets	9,366	-	9,366
	Subtotal	9,632,420	23,917	9,656,337
Off balance	Unused credit limits	33,120,042	-	33,120,042
	Total	42,752,462	23,917	42,776,379

(2) Market risk

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

1) Market risk management

The Group avoids, bears or mitigates risks by identifying the underlying source of risks, measuring parameters and evaluating their appropriateness. The risk management committee allocates owned capital to market risk. The risk management department measures the Value at Risk (“VaR,” maximum expected losses) limit by department and risk factors and the loss limit on a daily basis and reports regularly to the risk management committee.

2) Interest rate VaR

Interest rate VaR is a statistical estimate of the maximum potential decline in the value of net assets due to the unfavorable changes in interest rate, using the VaR methodology, a key measure of market risk, in interest rate risk assessment.

The interest rate VaR disclosed below is estimated at a 99% confidence level with 2% interest rate shock using the Bank for International Settlements (“BIS”) standards framework. This methodology employs revised duration proxy by maturity provided by BIS. The assumption used to calculate the VaR is the expected range of interest rate fluctuation affected by interest rate shock at 200 bp parallel movement of benchmark rate curve. Although the VaR is generally used as a key measure of market risk, certain limitations to this methodology exist.

VaR measures the potential loss in value of a risky asset or portfolio based on historical market movements over a defined period for a given confidence interval. However, it is not always possible in practice that the historical market movements reflect all future conditions and circumstances, which results in variance in actual loss timing and size due to the changes in assumptions used in calculation.

The results of interest rate VaR calculated under normal distribution of interest rate risk as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean won in millions):

	September 30, 2020	December 31, 2019
Interest rate VaR	(143,946)	(85,010)

3) Other market risk

a) Interest rate risk

The Group estimates and manages risks related to the changes in interest rate due to the difference in maturity and conditions of interest rate of assets and liabilities. Cash flows of principal amounts and interests from interest-bearing assets and liabilities by repricing date are as follows (Unit: Korean won in millions):

	September 30, 2020						
	Within 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 year to 5 years	More than 5 years	Total
Asset:							
Financial assets at amortized cost	5,737,720	994,224	580,081	577,302	2,481,343	142,184	10,512,854
Liability:							
Borrowings	45,000	34,694	-	-	-	-	79,694
Debentures	644,818	394,239	619,555	360,993	5,516,610	150,302	7,686,517
Other financial liabilities	1,159	725	177	698	-	-	2,759
Total	690,977	429,658	619,732	361,691	5,516,610	150,302	7,768,970

	December 31, 2019						
	Within 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 year to 5 years	More than 5 years	Total
Asset:							
Financial assets at amortized cost	5,796,751	906,382	505,806	502,163	1,832,614	288,798	9,832,514
Liability:							
Borrowings	4,631	-	-	-	-	-	4,631
Debentures	597,014	562,164	554,317	458,212	5,250,699	-	7,422,406
Other financial liabilities	347	385	539	665	-	-	1,936
Total	601,992	562,549	554,856	458,877	5,250,699	-	7,428,973

Repricing date is defined as the date on which interest rates of operational funds and procuring funds can be readjusted before the expiration date. Analysis based on interest expirations is used to analyze assets and liabilities that cause interest margins and interest costs.

b) Currency risk

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

Foreign currency financial instruments exposed to currency risk by major currencies as of September 30, 2020, and December 31, 2019, are as follows (USD in thousands, SGD in thousands, MMK in thousands and Korean won in millions):

		September 30, 2020						
		USD		SGD		MMK		Total
		Base currency	Won conversion	Base currency	Won conversion	Base currency	Won conversion	
Exposure		(680,534)	(798,607)	(170,000)	(145,410)	36,912,394	33,105	(910,912)
Assets	Cash and cash equivalents	3	3	-	-	6,231,420	5,589	5,592
	Financial assets at amortized cost	736	863	-	-	34,379,993	30,833	31,696
Liabilities	Borrowings	(675,000)	(792,112)	(170,000)	(145,410)	-	-	(937,522)
	Debentures	(4,000)	(4,694)	-	-	-	-	(4,694)
	Other financial liabilities	(2,273)	(2,667)	-	-	(3,699,019)	(3,317)	(5,984)
Off-balance derivative exposure		675,000	792,112	170,000	145,410	-	-	937,522
Net foreign currency exposure		(5,534)	(6,495)	-	-	36,912,394	33,105	26,610

		December 31, 2019						
		USD		SGD		MMK		Total
		Base currency	Won conversion	Base currency	Won conversion	Base currency	Won conversion	
Exposure		(483,974)	(560,344)	(204,000)	(175,144)	33,866,489	26,497	(708,991)
Assets	Cash and cash equivalents	1	2	-	-	5,979,236	4,678	4,680
	Financial assets at amortized cost	36	42	-	-	30,914,045	24,187	24,229
Liabilities	Borrowings	(480,000)	(555,744)	(204,000)	(175,144)	-	-	(730,888)
	Debentures	(4,000)	(4,631)	-	-	-	-	(4,631)
	Other financial liabilities	(11)	(13)	-	-	(3,026,792)	(2,368)	(2,381)
Off-balance derivative exposure		480,000	555,744	204,000	175,144	-	-	730,888
Net foreign currency exposure		(3,974)	(4,600)	-	-	33,866,489	26,497	21,897

(3) Liquidity risk

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

1) Liquidity risk management

The management of liquidity risk refers to risk management to prevent losses caused by lack of funds by effectively managing liquidity shortages caused by maturity difference of assets and liabilities or an unexpected outflow of funds.

The Group manages liquidty risks by grouping assets and liabilities into ALM (Asset Liability Management) account items according to characteristics of each account subject, identifying the maturity gap and gap ratio through cash flow analysis by various time intervals (i.e., by remaining period, by contract period, etc.) and keeping the gap ratio within the target ratio(limit).

2) Maturity analysis of non-derivative financial liabilities

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

	September 30, 2020						
	Within 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 year to 5 years	More than 5 years	Total
Borrowings	45,000	34,694	-	-	-	-	79,694
Debentures	644,818	394,239	619,555	360,993	5,516,610	150,302	7,686,517
Lease	3,073	2,123	1,657	1,556	14,533	-	22,942
Others	935,401	-	-	-	95,195	-	1,030,596
Total	1,628,292	431,056	621,212	362,549	5,626,338	150,302	8,819,749

	December 31, 2019						
	Within 3 months	3 to 6 months	6 to 9 months	9 to 12 months	One year to 5 years	More than 5 years	Total
Borrowings	4,631	-	-	-	-	-	4,631
Debentures	597,014	562,164	554,317	458,212	5,250,699	-	7,422,406
Lease	2,367	1,986	2,238	2,966	19,514	-	29,071
Others	835,610	385	539	665	53,809	-	891,008
Total	1,439,622	564,535	557,094	461,843	5,324,022	-	8,347,116

Maturity analysis above includes both principal and interest cash flows by contractual maturities.

3) Maturity analysis of derivative financial liabilities

The cash flow by the maturity of derivative financial liabilities/assets as of September 30, 2020, and December 31, 2019, is as follows (Unit: Korean won in millions):

	September 30, 2020						
	Within 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 year to 5 years	More than 5 years	Total
Net-settled Derivatives payment cashflow	(365)	(788)	(552)	(438)	(1,424)	(120)	(3,687)
Total Payment Derivatives payment cashflow	(1,270)	(1,286)	(1,342)	(1,321)	(574,224)	-	(579,443)
Total Payment Derivatives received cashflow	1,150	1,153	1,195	1,181	559,216	-	563,895
Total	(485)	(921)	(699)	(578)	(16,432)	(120)	(19,235)

	December 31, 2019						
	Within 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 year to 5 years	More than 5 years	Total
Net-settled Derivatives payment cashflow	(122)	(211)	(241)	(253)	(838)	-	(1,665)
Total Payment Derivatives payment cashflow	(60,908)	(699)	(699)	(691)	(238,302)	-	(301,299)
Total Payment Derivatives received cashflow	59,225	1,263	1,252	1,210	239,259	-	302,209
Total	(1,805)	353	312	266	119	-	(755)

4) Maturity analysis of off-statement-of-financial-position accounts

Guarantees and loan commitments like guarantees for debenture issuance and guarantees for loans, which are financial guarantee provided by the Group, have expiration dates. However, upon request of transaction counterparty, the Group will carry out a payment immediately. Details of off-statement-of-financial-position accounts are as follows (Unit: Korean won in millions):

	September 30, 2020	December 31, 2019
Loan commitments (unused credit limits)	36,754,829	33,120,042

(4) Capital management

The Financial Services Commission provides policies concerning the adequacy of capital to guide the sound management of loan-specialized financial companies and prevent financial accidents. Accordingly, a loan-specialized financial company is required to maintain an adjusted equity capital ratio of at least 8% of total assets in accordance with the management guidance ratio prescribed by the supervisory law, and to calculate the adjusted equity capital ratio on a quarterly basis and report it to the Financial Supervisory Service, the supervisory body.

The adjusted total assets and adjusted equity capital shall be calculated based on the statement of financial position of the loan specialized financial company, taking into account the standards presented by the Bank for International Settlements and reflecting the characteristics of the loan specialized financial company's business.

The adjusted total assets shall be the total assets minus cash, short-term deposits without collateral arrangements, national bonds and deductions within three months of maturity. A loan-specialized financial company applying Korean IFRS deducts accumulated unrealized gains and losses, such as loan-loss reserves and loan receivables, from its adjusted total assets.

Adjusted net capital comprises the sum of basic and supplementary capital (limited by the extent of the basic capital), less deductible items. Supplementary capital is composed of allowance for credit losses in respect of credits classified as normal or precautionary (in case of loan receivables, allowance for loans from customers who have never been delinquent, including provision for unused loan commitments and reserve for bad debts) and unsecured subordinated debts (prohibited on early repayment of the debts up to 100% of the basic capital for debts with longer than 10 years, 50% for longer than 5 years but less than 10 years, and 20% anually deducted for debts within 5 years). In this case, within the amount of 1.5% of total assets, provisions excluding the amount for unused loan commitments are added to the supplementary capital.

As of September 30, 2020, and December 31, 2019, the Group complies with the regulatory requirement for the adjusted capital ratio.

5. **CASH AND CASH EQUIVALENTS**

(1) Details of cash and cash equivalents as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Cash	35,926	15,271
Foreign currencies	561	13
Demand deposits	132,523	100,917
Other cash equivalents	250,000	-
Total	419,010	116,201

(2) Material transactions not involving cash inflows and outflows for the nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	September 30, 2019
Changes in other comprehensive income (loss) due to valuation of financial assets at FVTOCI	(8,858)	1,756
Changes in other comprehensive income (loss) due to remeasurement	(2,245)	(3,929)
Changes in other comprehensive income (loss) due to cash flow hedge	(6,221)	(2,504)
Changes in other comprehensive income (loss) related to translation of foreign operations	3,387	1,295
Repayment of debentures	(116,475)	-

6. **FINANCIAL ASSETS AT FVTOCI**

(1) Details of financial assets at FVTOCI as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Unlisted equity securities	75,768	84,626
Capital contributions	622	460
Total	76,390	85,086

(2) Details of unrealized profit and loss in financial assets at FVTOCI as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020		
	Aquisition cost	Unrealized gain/loss (*)	Fair value
Unlisted equity securities	42,483	33,285	75,768
Capital contributions	622	-	622
Total	43,105	33,285	76,390

	December 31, 2019		
	Aquisition cost	Unrealized gain/loss (*)	Fair value
Unlisted equity securities	42,483	42,143	84,626
Capital contributions	460	-	460

Total	42,943	42,143	85,086

(*) These amounts do not include the deferred income tax, which is directly added or deducted from equity.

7. **FINANCIAL ASSETS AT AMORTIZED COST**

(1) Details of financial assets at amortized cost as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Due from banks	70,848	20,003
Loans	198,293	236,258
Credit card assets	8,078,197	8,129,304
Capital financing receivables	988,244	760,016
Finance lease receivables	474,262	235,011
Other financial assets at amortized cost	354,387	266,379
Total	10,164,231	9,646,971

(2) Details of due from banks as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Due from deposit banks	3	20,003
Others	70,845	-
Total	70,848	20,003

(3) Details of restricted due from banks as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	Counterparty	September 30, 2020	Reason for restriction
Due from deposit banks	Woori Bank	3	Guarantee deposit for checking accounts
Others	Woori Bank Trust Department	70,845	Liquidation-related deposit
Total		70,848	

	Counterparty	December 31, 2019	Reason for restriction
Due from deposit banks	Woori Bank	3	Guarantee deposit for checking accounts
Others	Woori Bank Trust Department	-	Liquidation-related deposit
Total		3	

(4) Details of loans as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Loans	216,429	254,541
Deferred loan origination costs and fees	86	196
Provision for credit losses	(18,222)	(18,479)
Total	198,293	236,258

(5) Details of credit card assets as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Credit sales proceeds		
Proceeds from general credit sales	2,925,085	3,099,450
Proceeds from installment sales	1,935,542	1,969,156
Proceeds from international credit sales	70,867	139,158
Cash advances	489,224	585,322
Card loan	2,777,412	2,446,848
Refinancing	129,728	164,542
Other credit card assets	961	4,890
Provisions for credit losses	(245,455)	(274,123)
Present value discount	(5,167)	(5,939)
Total	8,078,197	8,129,304

(6) Details of capital financing receivables as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Capital financing receivables	977,379	752,960
Deferred loan origination costs and fees	18,597	14,128
Provision for credit losses	(7,732)	(7,072)
Total	988,244	760,016

(7) Details of finance lease receivables as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Finance lease receivables (*)	459,696	227,067
Deferred loan origination costs and fees	20,041	11,172
Provision for credit losses	(5,475)	(3,228)
Total	474,262	235,011

(*) 9 million Won of terminated financial lease receivable from the previous term is included.

(8) Details of other financial assets at amortized cost (other loans and receivables) as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Receivables	293,203	196,919
Accrued income	41,235	49,379
Guarantee deposits	21,462	21,615
Others	456	528
Provisions for credit losses	(1,923)	(1,907)
Present value discount	(46)	(155)
Total	354,387	266,379

(9) Changes in the provisions for credit losses for the nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020							
		Transfer between stage classification						
	Beginning balance	Replaced by 12-month expected credit loss	Replaced with expected credit loss for the entire period	Replaced with credit-impaired financial assets	Provision for credit losses	Recoveries of loans previously charged off	Charge-off	Ending balance
Loans:								
Stage 1	6,761	761	(487)	(460)	1,743	-	(2,631)	5,687
Stage 2	4,898	(753)	560	(205)	2,072	-	(3,037)	3,535
Stage 3	6,820	(8)	(73)	665	1,695	3,041	(3,140)	9,000
Credit card assets:								
Stage 1	74,547	14,399	(6,467)	(717)	45,856		(49,912)	77,706
Stage 2	71,532	(14,262)	6,839	(1,620)	62,536	-	(62,977)	62,048
Stage 3	128,044	(137)	(372)	2,337	28,508	48,384	(101,063)	105,701
Capital financing receivables:								
Stage 1	2,750	419	(233)	(22)	951	-	(799)	3,066
Stage 2	2,477	(419)	321	(74)	609	-	(492)	2,422
Stage 3	1,845	-	(88)	96	614	443	(666)	2,244
Finance lease receivables:								
Stage 1	892	245	(68)	(20)	766	-	(10)	1,805
Stage 2	1,720	(245)	68	(68)	1,088	-	(26)	2,537
Stage 3	616	-	-	88	450	3	(24)	1,133
Other financial assets:								
Stage 1	705	62	(46)	(6)	283	-	-	998
Stage 2	937	(62)	50	(12)	(238)	-	-	675
Stage 3	265	-	(4)	18	20	-	(49)	250
Total	304,809	-	-	-	146,953	51,871	(224,826)	278,807

	September 30, 2019							
		Transfer between stage classification						
	Beginning balance (*)	Replaced by 12-month expected credit loss	Replaced with expected credit loss for the entire period	Replaced with credit-impaired financial assets	Provision for credit losses	Recoveries of loans previously charged off	Charge-off	Ending balance
Loans:								
Stage 1	7,301	908	(569)	(171)	2,569	-	(3,189)	6,849
Stage 2	5,840	(905)	597	(401)	4,058	-	(4,453)	4,736
Stage 3	6,554	(3)	(28)	572	4,445	2,301	(5,214)	8,627
Credit card assets:								
Stage 1	64,726	15,975	(6,454)	(787)	48,526	-	(52,135)	69,851
Stage 2	78,128	(15,826)	6,738	(1,660)	80,674	-	(77,305)	70,749
Stage 3	116,759	(149)	(284)	2,447	46,295	44,274	(74,305)	135,037
Capital financing receivables:								
Stage 1	4,073	390	(430)	(21)	(693)	-	(612)	2,707
Stage 2	1,696	(370)	481	(52)	751	-	(344)	2,162
Stage 3	1,587	(20)	(51)	73	718	68	(547)	1,828
Finance lease receivables:								
Stage 1	1,501	72	(118)	(8)	(141)	-	(16)	1,290
Stage 2	317	(72)	153	(16)	760	-	(11)	1,131
Stage 3	454	-	(35)	24	238	1	(252)	430
Other financial assets:								
Stage 1	677	68	(46)	(7)	(11)	-	-	681
Stage 2	996	(68)	48	(17)	(35)	-	-	924
Stage 3	433	-	(2)	24	(90)	-	(84)	281
Total	291,042	-	-	-	188,064	46,644	(218,467)	307,283

(10) Changes in the provisions efficiency financial assets' total book value at amortized cost for the nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020						
		Transfer between stage classification					
	Beginning balance	Replaced by 12-month expected credit loss	Replaced with expected credit loss for the entire period	Replaced with credit-impaired financial assets	Provision for credit losses	Amortization	Ending balance
Loans:							
Stage 1	227,353	4,292	(9,284)	(3,141)	(22,921)	(2,689)	193,610
Stage 2	19,026	(4,282)	9,364	(684)	(7,819)	(3,037)	12,568
Stage 3	8,358	(10)	(80)	3,825	1,384	(3,140)	10,337
Credit card assets:							
Stage 1	7,289,229	258,784	(292,625)	(30,316)	166,303	(49,912)	7,341,463
Stage 2	885,832	(258,584)	293,064	(14,369)	(45,545)	(62,977)	797,421
Stage 3	228,366	(200)	(439)	44,685	33,547	(121,191)	184,768
Capital financing receivables:							
Stage 1	709,488	9,752	(20,215)	(1,613)	242,589	(799)	939,202
Stage 2	55,535	(9,752)	20,317	(669)	(10,723)	(492)	54,216
Stage 3	2,065	-	(102)	2,282	(1,021)	(666)	2,558
Finance lease receivables:							
Stage 1	211,529	3,062	(7,432)	(882)	226,056	(10)	432,323
Stage 2	26,013	(3,062)	7,432	(260)	16,026	(26)	46,123
Stage 3	697	-	-	1,142	(524)	(24)	1,291
Other financial assets:							
Stage 1	261,007	1,530	(1,633)	(192)	89,554	-	350,266
Stage 2	6,949	(1,530)	1,638	(100)	(1,219)	-	5,738
Stage 3	330	-	(5)	292	(262)	(49)	306
Total	9,931,777	-	-	-	685,425	(245,012)	10,372,190

	September 30, 2019						
		Transfer between stage classification					
	Beginning balance	Replaced by 12-month expected credit loss	Replaced with expected credit loss for the entire period	Replaced with credit-impaired financial assets	Provision for credit losses	Amortization	Ending balance
Loans:							
Stage 1	251,470	6,357	(13,356)	(4,398)	(2,804)	(3,200)	234,069
Stage 2	27,818	(6,354)	13,387	(1,819)	(9,335)	(4,453)	19,244
Stage 3	8,778	(3)	(31)	6,217	861	(5,214)	10,608
Credit card assets:							
Stage 1	6,855,927	277,200	(321,234)	(34,327)	363,193	(52,135)	7,088,624
Stage 2	982,734	(277,027)	321,593	(17,992)	(26,605)	(77,305)	905,398
Stage 3	208,958	(173)	(359)	52,319	49,113	(74,305)	235,553
Capital financing receivables:							
Stage 1	861,165	6,024	(22,960)	(1,547)	(202,729)	(612)	639,341
Stage 2	34,127	(5,999)	23,023	(541)	(5,405)	(344)	44,861
Stage 3	1,871	(25)	(63)	2,088	(1,228)	(547)	2,096
Finance lease receivables:							
Stage 1	159,586	1,171	(6,684)	(598)	44,595	(16)	198,054
Stage 2	3,510	(1,171)	6,730	(136)	6,781	(11)	15,703
Stage 3	493	-	(46)	734	(436)	(252)	493
Other financial assets:							
Stage 1	291,968	1,668	(1,778)	(217)	39,276	-	330,917
Stage 2	7,786	(1,667)	1,780	(143)	(902)	-	6,854
Stage 3	505	(1)	(2)	360	(423)	(84)	355

Total	9,696,696	-	-	-	253,952	(218,478)	9,732,170

(11) Changes in deferred loan origination costs for the nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020			
	Beginning balance	Increase	Decrease	Ending balance
Deferred loan origination costs	25,496	25,717	(12,489)	38,724

	September 30, 2019			
	Beginning balance	Increase	Decrease	Ending balance
Deferred loan origination costs	24,521	12,750	(14,481)	22,790

8. **LEASES**

(1) Present values of finance lease receivables and present value of minimum lease payment as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020		December 31, 2019	
	Gross investment	Present value of minimum lease payment	Gross investment	Present value of minimum lease payment
Less than one year	15,418	14,954	8,611	8,332
More than one year to less than five years	500,233	444,742	248,553	218,726
Total	515,651	459,696	257,164	227,058

(2) Details of finance lease receivables as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Net investment in a lease	459,696	227,058
Financial lease expenses	20,041	11,172
Provisions for credit losses	(5,475)	(3,228)
Termination of finance lease	-	9
Total	474,262	235,011

(3) Unearned interest income on gross investment in the finance lease as of September 30, 2020, and December 31, 2019, is as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Unearned interest income	55,955	30,106

9. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Group classified financial instruments measured at fair value in the statement of financial position into the following fair value hierarchy according to the inputs used for fair value measurement.

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

(1) Fair value hierarchy of financial assets and liabilities measured at fair value as of September 30, 2020, and December 31, 2019, is as follows (Unit: Korean Won in millions):

	September 30, 2020			
	Fair value	Level 1	Level 2	Level 3
Financial assets:				
Financial assets at FVTOCI	76,390	-	-	76,390
Derivative assets	11,355	-	11,355	-
Total	87,745	-	11,355	76,390
Financial liabilities:				
Derivative liabilities	24,589	-	24,589	-

	December 31, 2019			
	Fair value	Level 1	Level 2	Level 3
Financial assets:				
Financial assets at FVTOCI	85,086	-	-	85,086
Derivative assets	9,366	-	9,366	-
Total	94,452	-	9,366	85,086
Financial liabilities:				
Derivative liabilities	6,839	-	6,839	-

Financial instruments are measured at fair value using a quoted market price in active markets. If there is no active market for a financial instrument, the Group establishes the fair value using valuation techniques.

If there is no active market for a financial instrument, fair value measurement methods for each type of financial instruments are as follows:

	Fair value measurement techniques	Input variables
Financial assets at FVTOCI:	Discounted Cash Flow model, Free Cash Flow to Equity model, comparable companies valuation method, dividend discount model, risk adjustment discount model, estimate the fair value using one or more of the valuation methods judged to be appropriate considering the nature of the valuation object in the net asset value method.	Risk free market rate of return, market risk premium, corporate beta and others
Derivatives:	Determining the fair value of derivatives, such as interest rate swaps, currency swaps and others, based on input variables	Risk-free market rate of return, forward

observable in the market is based on the valuation techniques generally used by market participants.	rate, exchange rate and others

Fair value of financial assets and liabilities classified into Level 3 uses external evaluation or value that is independently appraised by the Group. Non-observable inputs used in measuring fair value are calculated from the internal system and adequacy of those inputs is reviewed at all times.

(2) Changes in financial assets and liabilities classified into Level 3 for the nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020					
	Beginning	Net gain or loss	Other comprehensive income	Purchases	Disposals	Ending
Financial assets:						
Financial assets at FVTOCI:	85,086	-	(8,858)	262	(100)	76,390

	September 30, 2019					
	Beginning	Net gain or loss	Other comprehensive income	Purchases	Disposals	Ending
Financial assets:						
Financial assets at FVTOCI:	87,753	-	1,756	213	-	89,722

(3) The results of a sensitivity analysis of fair value measured using unobservable inputs among financial instruments classified as Level 3 are as follows:

	September 30, 2020				
	Carrying amount(*)	Recognised in profit or loss		Recognised in other comprehensive income	
		Favorable	Unfavorable	Favorable	Unfavorable
Financial assets:					
Financial assets at FVTOCI:	76,390	-	-	8,864	(6,948)

	December 31, 2019				
	Carrying amount(*)	Recognised in profit or loss		Recognised in other comprehensive income	
		Favorable	Unfavorable	Favorable	Unfavorable
Financial assets:					
Financial assets at FVTOCI:	85,086	-	-	6,833	(2,582)

(*) The Company produces changes in the fiar value by increasing or decreasing the correlation between the growth rate and the discount rate, an unobservable input.

(4) Fair value and carrying amount of financial assets and liabilities that are recorded at amortized cost as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	
	Fair value	Carrying value
Financial assets:		

Financial assets at amortized cost	10,447,702	10,164,231
Financial liabilities:		
Borrowings (*)	79,694	79,694
Debentures	7,442,189	7,347,855
Other financial liabilities (*)	1,046,186	1,050,739

	December 31, 2019	
	Fair value	Carrying value
Financial assets:		
Financial assets at amortized cost	9,892,140	9,646,971
Financial liabilities:		
Borrowings (*)	4,631	4,631
Debentures	7,158,911	7,075,968
Other financial liabilities (*)	914,186	915,988

(*) Includes financial liabilities determined that cost represents the best estimate of fair value.

The financial assets and liabilities discussed above are classified as Level 3 and Level 2, respectively.

Financial instruments are measured at fair value using a quoted market price in active markets. If there is no active market for a financial instrument, the Group measures fair value of the financial instruments using valuation techniques. If there is no active market for a financial instrument, fair value measurement techniques and input variables for each type of financial instruments that are recorded at amortized cost are as follows:

	Fair value measurement technique	Input variables
Financial assets at amortized cost	The fair value is measured by discounting the cash flows with use of market interest rates applied to the loans, which are similar to the expected cash flow.	Risk-free market rate of return, credit spread and prepayment ratio
Debentures	The fair value is measured by discounting the future cash flow of issued bonds by applying market interest rates reflecting the Company’s credit rating. (External evaluation agency calculation)	Risk-free market rate of return and credit spread
Other financial liabilities	The fair value is measured by discounting the cash flows with use of market interest rates applied to the financial instruments, which are similar to the expected cash flow.	Risk-free market rate of return and credit spread

10. PREMISES AND EQUIPMENT

(1) Details of premises and equipment as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020				
	Land	Building	Properties for business use	Structures in leased office	Total
Premises and equipment (owned)	2,487	505	24,663	1,118	28,773
Right-of-use assets	-	-	1,437	20,170	21,607

	December 31, 2019				
	Land	Building	Properties for business use	Structures in leased office	Total
Premises and equipment (owned)	2,487	544	24,369	1,436	28,836
Right-of-use assets	-	-	1,889	26,143	28,032

(2) Details of premises and equipment as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020				
	Land	Building	Properties for business use	Structures in leased office	Total
Cost of purchases	2,487	953	52,385	9,982	65,807
Accumulated depreciation	-	(448)	(27,722)	(8,864)	(37,034)
Net carrying value	2,487	505	24,663	1,118	28,773

	December 31, 2019				
	Land	Building	Properties for business use	Structures in leased office	Total
Cost of purchases	2,487	953	45,539	9,794	58,773
Accumulated depreciation	-	(409)	(21,170)	(8,358)	(29,937)
Net carrying value	2,487	544	24,369	1,436	28,836

(3) Details of changes in premises and equipment for the nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020				
	Land	Building	Properties for business use	Structures in leased office	Total
Beginning balance	2,487	544	24,369	1,436	28,836
Acquisitions	-	-	6,908	139	7,047
Depreciation	-	(39)	(6,703)	(484)	(7,226)
Others	-	-	89	27	116
Ending balance	2,487	505	24,663	1,118	28,773

	September 30, 2019				
	Land	Building	Properties for business use	Structures in leased office	Total
Beginning balance	2,487	595	17,217	2,267	22,566
Acquisitions	-	-	11,621	280	11,901
Depreciation	-	(39)	(5,106)	(450)	(5,595))
Others	-	-	63	(888)	(825)
Ending balance	2,487	556	23,795	1,209	28,047

(4) Details of right-of-use assets as of September 30, 2020 and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020		
	Properties for business use	Structures in leased office	Total
Beginning balance	2,869	33,867	36,736
Accumulated depreciation	(1,432)	(13,697)	(15,129)
Ending balance	1,437	20,170	21,607

	December 31, 2019		
	Properties for business use	Structures in leased office	Total
Beginning balance	2,784	33,756	36,540
Accumulated depreciation	(895)	(7,613)	(8,508)
Ending balance	1,889	26,143	28,032

(5) Details of changes in right-of-use assets for the nine-month periods ended September 30, 2020 and 2019 are as follows (Unit: Korean Won in millions):

	September 30, 2020		
	Properties for business use	Structures in leased office	Total
Beginning balance	1,889	26,143	28,032
New contract	192	417	609
Cancellation of contract	(11)	-	(11)
Depreciation	(633)	(6,382)	(7,015)
Others	-	(8)	(8)
Ending balance	1,437	20,170	21,607

	September 30, 2019		
	Properties for business use	Structures in leased office	Total
Beginning balance	1,638	31,814	33,452
New contract	1,301	3,035	4,336
Cancellation of contract	(36)	(212)	(248)
Depreciation	(902)	(7,696)	(8,598)
Others	-	588	588
Ending balance	2,001	27,529	29,530

11. INTANGIBLE ASSETS

(1) Details of intangible assets as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020				
	Development cost	Industrial property rights	Others	Membership deposits (*)	Total
Cost of purchases or appraised value	31,795	147	46,046	6,128	84,116
Accumulated depreciation	(13,745)	(104)	(25,945)	-	(39,794)
Accumulated impairment losses	-	-	-	(582)	(582)
Net carrying value	18,050	43	20,101	5,546	43,740

	December 31, 2019				
	Development cost	Industrial property rights	Others	Membership deposits (*)	Total
Cost of purchases or appraised value	26,150	134	40,930	6,128	73,342
Accumulated depreciation	(8,244)	(88)	(21,090)	-	(29,422)
Accumulated impairment losses	-	-	-	(582)	(582)
Net carrying value	17,906	46	19,840	5,546	43,338

(*) Membership deposits include golf clubs and condominium membership deposits, and for these intangible assets, the exact period of useful life cannot be measured. Therefore, the Group has recognized impairment loss for the membership deposits since the recoverable amount is lower than the carrying amount.

(2) Details of changes in intangible assets for the nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020				
	Development cost	Industrial property rights	Others	Membership deposit	Total
Beginning balance	17,906	46	19,840	5,546	43,338
Acquisitions	5,645	13	5,116	-	10,774
Amortization	(5,501)	(16)	(4,855)	-	(10,372)
Ending balance	18,050	43	20,101	5,546	43,740

	September 30, 2019				
	Development cost	Industrial property rights	Others	Membership deposit	Total
Beginning balance	14,016	41	16,333	5,377	35,767
Acquisitions	5,351	28	5,912	169	11,460
Amortization	(3,608)	(17)	(3,830)	-	(7,455)
Ending balance	15,759	52	18,415	5,546	39,772

12. OTHER ASSETS

Details of other assets as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Advance payments	266	73,296
Prepaid lease assets	5,131	2,995
Prepaid expenses	7,421	5,471
Others	8,183	5,486
Total	21,001	87,248

13. BORROWINGS AND DEBENTURES

(1) Details of borrowings as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	Provider	Interest rate (%)	Amount	
			September 30, 2020	December 31, 2019
Short-term borrowings	Woori Bank (Singapore)	3M LIBOR+1.4	4,694	4,631
Commercial paper	NH Securities. Co., LTD., etc.	2.24 ~ 2.25	75,000	-
	Total		79,694	4,631

(2) Details of debentures as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020		
	Interest rate (%)	Maturity	Amount
Debentures in local currency	1.32 ~ 3.11	2020.10.05 ~ 2027.12.27	6,165,000
Debentures in foreign currency	LIBOR 1M+0.55 and others	2021.02.25 ~ 2023.12.27	937,522
Short-term debentures	1.75	2021.04.02	70,000
Electronic short-term debentures	0.75 ~ 0.86	2020.10.08 ~ 2020.10.20	180,000
Subtotal			7,352,522
Discount on bonds			(4,667)
Total			7,347,855

	December 31, 2019		
	Interest rate (%)	Maturity	Amount
Debentures in local currency	1.39~3.11	2020-01-13 ~ 2024-03-04	6,350,000
Debentures in foreign currency	LIBOR 1M+0.50 and others	2020-01-21 ~ 2022-10-25	730,888
Subtotal			7,080,888
Discount on bonds			(4,920)
Total			7,075,968

14. **PROVISIONS**

(1) Details of provisions as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Provisions for unused commitments	55,387	51,631
Asset retirement obligation	4,607	4,544
Provision for illegal use of credit cards	364	442
Other provisions	-	198
Total	60,358	56,815

(2) Changes in provisions for the nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020			
	Asset retirement obligation	Provision for illegal use of credit card	Other provisions	Total
Beginning balance	4,544	442	198	5,184
Provisions provided	-	123	-	123
Reversal of unused amount	(1)	-	(198)	(199)
Provisions used	-	(260)	-	(260)
Others	64	59	-	123
Ending balance	4,607	364	-	4,971

	September 30, 2019			
	Asset retirement obligation	Provision for illegal use of credit card	Other provisions	Total
Beginning balance	5,234	466	198	5,898
Provisions provided	67	247	-	314
Reversal of unused amount	(32)	-	-	(32)
Provisions used	(498)	(469)	-	(967)
Others	-	192	-	192
Ending balance	4,771	436	198	5,405

(3) Changes in provisions for unused commitments for the nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020			
	Twelve-month expected credit loss	Expected credit loss for the entire period	Credit-impaired financial assets	Total
Beginning balance	33,996	13,282	4,353	51,631
Replaced by 12-month expected credit loss	5,395	(5,009)	(386)	-
Replaced with expected credit loss for the entire period	(1,061)	1,572	(511)	-
Replaced with credit-impaired financial assets	(126)	(253)	379	-
Provisions provided (reversal of unused amount)	(1,507)	3,821	1,442	3,756
Ending balance	36,697	13,413	5,277	55,387

	September 30, 2019			
	Twelve-month expected credit loss	Expected credit loss for the entire period	Credit-impaired financial assets	Total
Beginning balance	32,794	14,723	1,627	49,144
Replaced by 12-month expected credit loss	5,864	(5,512)	(352)	-
Replaced with expected credit loss for the entire period	(1,250)	1,310	(60)	-
Replaced with credit-impaired financial assets	(158)	(235)	393	-
Provisions provided (reversal of unused amount)	(4,022)	3,898	2,584	2,460
Ending balance	33,228	14,184	4,192	51,604

15. NET DEFINED BENEFIT LIABILITIES (ASSETS)

The Group’s defined benefit pension plans are based on final salary. The pension plan is a system that pays a certain amount of pension guaranteed thorughout the employee’s lifetime. The level of pension is calculated on the basis of the employee’s working period and final salary. Most of the pension funds are funded and operated by external professional trust companies, and trust companies are regulated by the country.

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

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

(1) Details of net defined benefit liabilities (assets) as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019

Present value of defined benefit obligations	37,821	31,418
Fair value of plan assets	(32,864)	(32,305)
Net defined benefit liabilities (assets)	4,957	(887)

(2) The amounts recognized in the consolidated interim statements of comprehensive income for the nine-month periods ended September 30, 2020 and 2019, relating to defined benefit plans are as follows (Unit: Korean Won in millions):

	September 30, 2020	September 30, 2019
Current service cost	4,510	4,201
Net interest cost	(69)	(62)
Cost recognized in net income	4,441	4,139
Remeasurements	2,245	3,929
Income tax effect	(617)	(1,080)
Cost recognized in total comprehensive income	6,069	6,988

(3) Changes in the present value of defined benefit obligations for the nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	September 30, 2019
Beginning balance	31,418	28,281
Current service cost	4,510	4,201
Interest expense	549	552
Remeasurement	2,064	3,679
Benefit paid (received)	(486)	(940)
Others	(234)	(97)
Total	37,821	35,676

(4) Changes in the present value of plan assets for the nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	September 30, 2019
Beginning balance	32,305	28,624
Interest income	618	614
Remeasurement	(181)	(250)
Payment of contribution	1,000	4,000
Benefit paid (received)	(644)	(977)
Others	(234)	(97)
Total	32,864	31,914

(5) As of September 30, 2020, and December 31, 2019, plan assets consist of regular deposits. The actual return on plan assets on September 30, 2020, and December 31, 2019, is 437 million Won and 364 million Won, respectively.

(6) The significant actuarial assumptions used in defined benefit obligation assessment as of September 30, 2020, and December 31, 2019, are as follows (Unit: %):

	September 30, 2020	December 31, 2019
Discount rate	2.23	2.38
Inflation rate	2.33	2.33
Future wage growth rate	4.28	4.29
Death rate	Korea Insurance Development Institute Standard Rate	Korea Insurance Development Institute Standard Rate

Retirement rate	Experienced retirement rate	Experienced retirement rate

The sensitivity of actuarial assumptions used in assessment of defined benefit obligation as of September 30, 2020, and December 31, 2019, is as follows (Unit: Korean Won in millions):

	September 30, 2020(*)	
	The impact on the defined benefit obligation	
	Increase	Decrease
The change of 1% in discount rate	(3,711)	4,386
The change of 1% in future salary growth rate	4,340	(3,744)

	December 31, 2019(*)	
	The impact on the defined benefit obligation	
	Increase	Decrease
The change of 1% in discount rate	(3,030)	3,555
The change of 1% in future salary growth rate	3,523	(3,061)

(*) The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized in the consolidated statements of financial position.

(7) Retirement benefit cost measured with respect to the defined contribution for the nine-month periods ended September 30, 2020 and 2019, is as follows (Unit: Korean Won in millions):

	September 30, 2020	September 30, 2019
Severance benefits-defined contribution	181	162

16. DERIVATIVES

The hedging relationship in which the Group applies cash flow hedges is affected by interest rate indicators related to interest rate index reform. The interest rate index on which the hedging relationship is exposed is USD 1M LIBOR and USD 3M LIBOR. The nominal amount of hedging instruments associated with 1M LIBOR and 3M LIBOR in the Group hedging relationship is USD 595,000,000 and USD 80,000,000, respectively. The Group is keeping a close eye on market and industry discussions regarding the applicable alternative benchmark interest rate for the exposed interest rate index, and determines that this uncertainty will no longer appear when the exposed interest rate index is replaced by applicable interest rates.

(1) The Group has entered into interest rate swaps to hedge against cash flow risk arising from floating-rate debentures. Details of derivative assets and derivative liabilities as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020		
		Liabilities for cash flow hedge	
	Notional amount	Assets	Liabilities
Interest rate swap	350,000	-	3,650
Currency swap	937,522	11,355	20,939
Total	1,287,522	11,355	24,589

	December 31, 2019		
		Liabilities for cash flow hedge	
	Notional amount	Assets	Liabilities
Interest rate swap	200,000	-	1,646

Currency swap	730,888	9,366	5,193
Total	930,888	9,366	6,839

(2) Overview of hedge accounting

As of September 30, 2020, the Group has applied cash flow hedge on Korean won-denominated bonds amounting to 349,829 million Won and foreign currency-denominated bonds amounting to 936,061 million Won. The purpose of the hedging is to avoid the cash flow risk of principal and interest arising from fluctuation of interest rate and exchange rate. The Group has designated interest swap contracts and currency swap contracts as hedging instruments in order to achieve such objectives.

Pursuant to the interest rate swap agreement, by swapping the calculated difference between the fixed interest rate and floating interest rate applied to the nominal value, the cash flow fluctuation risk is hedged as the Korean won-denominated debentures' floating interest rate terms are converted to fixed interest rate. In addition, pursuant to the currency swap agreements, a fixed interest rate is applied to the nominal value determined in advance, and the calculated amount is paid, and the amount calculated by applying the floating rate to the US dollar is exchanged. As a result, the cash flow fluctuation risk is eliminated.
Pursuant to the interest rate swap agreement and the currency swap agreement, hedge ratio is determined by matching the nominal value to the face value of the hedging instrument.

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

The interest rate swap, the currency swap agreements and the hedged items are subject to market interest rates and exchange rate fluctuations. The Group expects the value of the interest rate swap and currency swap agreements and the value of the hedged item to generally change in the opposite direction.

(3) The nominal amounts of the hedging instruments as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions, USD and SGD) :

	September 30, 2020			
	One year or less	One year to five years	More than five years	Total
Cash flow hedge				
Interest rate risk				
Interest rate swap	100,000	150,000	100,000	350,000
Foreign currencies translation risk and interest rate risk				
Currency swap (USD)	205,000,000	470,000,000	-	675,000,000
Foreign currencies translation risk				
Currency swap (SGD)	170,000,000	-	-	170,000,000

	December 31, 2019			
	One year or less	One year to five years	More than five years	Total
Cash flow hedge				
Interest rate risk				
Interest rate swap	-	200,000	-	200,000
Foreign currencies translation risk and interest rate risk				
Currency swap (USD)	150,000,000	330,000,000	-	480,000,000
Foreign currencies translation risk				

Currency swap (SGD)	136,000,000	68,000,000	-	204,000,000

(4) The average exchange rate and average interest rate of the hedging instruments as of September 30, 2020, and December 31, 2019, are as follows:

	September 30, 2020
Cash flow hedge	
Interest rate risk	
Interest rate swap	KRW 3Y CMS+0.40% receipt, KRW 2.38% paid KRW CD+0.69% receipt, KRW 2.06% paid
Foreign currencies translation risk and interest rate risk	
Currency swap (USD)	USD 3M LIBOR+0.80% receipt, KRW 1.45% paid, KRW/USD = 1,155 won USD 1M LIBOR+0.54% receipt, KRW 1.14% paid, KRW/USD = 1,190 won
Foreign currencies translation risk	
Currency swap (SGD)	SGD 1.91% receipt, KRW 1.98% paid, KRW/SGD = 828 won

	December 31, 2019
Cash flow hedge	
Interest rate risk	
Interest rate swap	KRW 3Y CMS+0.40% receipt, KRW 2.38% paid KRW CD+0.63% receipt, KRW 2.31% paid
Foreign currencies translation risk and interest rate risk	
Currency swap (USD)	USD 3M LIBOR+0.80% receipt, KRW 1.45% paid, KRW/USD = 1,155 won USD 1M LIBOR+0.54% receipt, KRW 1.53% paid, KRW/USD = 1,158 won
Foreign currencies translation risk	
Currency swap (SGD)	SGD 1.91% received and KRW 1.98% paid, SGD/KRW=₩828

(5) The amounts related to items designated as hedging instruments as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions, USD and SGD) :

	September 30, 2020				
		Carrying amounts of the hedging instrument			
	Nominal amounts of the hedging instrument	Assets	Liabilities	Line item in the consolidated interim statement of financial position where the hedging instrument is located	Change in fair value used for calculating hedge ineffectiveness
Cash flow hedge					
Interest rate risk					
Interest rate swap	350,000	-	3,650	Derivative liabilities	(2,004)
Foreign currencies translation risk and interest rate risk					
Currency swap (USD)	675,000,00	6,637	20,939	Derivative assets	(15,027)
Foreign currencies translation risk					
Currency swap(SGD)	170,000,000	4,718	-	Derivative assets	(877)

	December 31, 2019				
		Carrying amounts of the hedging instrument			
	Nominal amounts of the hedging instrument	Assets	Liabilities	Line item in the consolidated statement of financial position where the hedging instrument is located	Change in fair value used for calculating hedge ineffectiveness
Cash flow hedge					
Interest rate risk					
Interest rate swap	200,000	-	1,646	Derivative liabilities	(1,243)
Foreign currencies translation risk and interest rate risk					
Currency swap (USD)	480,000,000	4,070	5,193	Derivative assets/ liabilities	22,364
Foreign currencies translation risk					
Currency swap(SGD)	204,000,000	5,296	-	Derivative assets	8,918

(6) Details of carrying amount to hedged and amount adjusted due to hedge accounting as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020				
	Carrying amounts of the hedging item		Line item in the consolidated interim statement of financial position in which the hedged item is included	Change in fair value used for calculating hedge ineffectiveness	Cash flow hedge reserve (*)
	Assets	Liabilities			
Cash flow hedge					
Interest rate risk					
Interest rate swap	-	349,829	Debentures	4,606	(2,532)
Foreign currencies translation risk and interest rate risk					
Currency swap	-	790,778	Debentures	11,437	(7,460)
Foreign currencies translation risk					
Currency swap	-	145,283	Debentures	1,342	(1,436)

	December 31, 2019				
	Carrying amounts of the hedging item		Line item in the consolidated statement of financial position in which the hedged item is included	Change in fair value used for calculating hedge ineffectiveness	Cash flow hedge reserve (*)
	Assets	Liabilities			
Cash flow hedge					
Interest rate risk					
Interest rate swap	-	199,915	Debentures	1,301	(1,059)
Foreign currencies translation risk and interest rate risk					
Currency swap	-	554,433	Debentures	(25,057)	(2,525)
Foreign currencies translation risk					
Currency swap	-	174,708	Debentures	(8,315)	(2,304)

(*) Amount after tax deduction

(7) Reclassification of profit or loss from other comprehensive income and equity related to cash flow hedges as of September 30, 2020 and 2019, is as follows (Unit: Korean Won in millions):

		September 30, 2020					
		Hedge effectiveness recognized in OCI	Hedge ineffectiveness recognized in profit or loss	Changes in the value of foreign basis spread recognized in OCI	Line item recognized in the profit or loss	Amounts reclassified from cash flow hedge reserve to profit or loss	Line item affected in profit or loss because of the reclassification
Cash flow hedge	Interest rate risk	(2,031)	26	-	Other net operating income	-	Other net operating income
	Foreign currencies translation risk and interest rate risk	(16,210)	84	1,849	Other net operating income	9,304	Other net operating income
	Foreign currencies translation risk	(228)	151	298	Other net operating income	797	Other net operating income

		September 30, 2019					
		Hedge effectiveness recognized in OCI	Hedge ineffectiveness recognized in profit or loss	Changes in the value of foreign basis spread recognized in OCI	Line item recognized in the profit or loss	Amounts reclassified from cash flow hedge reserve to profit or loss	Line item affected in profit or loss because of the reclassification
Cash flow hedge	Interest rate risk	(1,870)	(16)	-	Other net operating income	-	Other net operating income
	Foreign currencies translation risk and interest rate risk	41,874	65	416	Other net operating income	(43,076)	Other net operating income
	Foreign currencies translation risk	10,507	-	158	Other net operating income	(10,512)	Other net operating income

(8) Changes in other comprehensive income related to hedge as of September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	September 30, 2019
Beginning balance	(5,889)	(3,667)
Hedging profit or loss recognized in other comprehensive income:	(15,640)	51,671
Effective part of the fair value change of the hedging instrument	(18,469)	50,511
Change in foreign basis spread	2,147	573
Income tax effect	682	587
Reclassified profit or loss amount	10,101	(53,588)
Ending balance	(11,428)	(5,584)

17. OTHER FINANCIAL LIABILITIES AND OTHER LIABILITIES

(1) Other financial liabilities and other liabilities as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Other financial liabilities:		
Accounts payable	632,088	570,992
Accrued expenses	95,788	110,491
Prepaid card liabilities	14,390	14,732
Debit card liabilities	192,203	146,732
Guarantee deposit received for import license	76,909	37,467
Domestic exchange obligation payable	5,004	4,648
Lease liabilities	22,075	27,694
Others	12,282	3,232
Subtotal	1,050,739	915,988
Other liabilities:		
Advance received	14,252	8,431
Unearned income	146,156	139,375
Others	53,705	52,849
Subtotal	214,113	200,655
Total	1,264,852	1,116,643

(2) The lease payments to be paid in the future as of September 30, 2020, and December 31, 2019 are as follows: (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Lease payments:	22,942	29,071
One year or less	8,409	9,557
One year to five years	14,533	19,514
More than five years	-	-

(3) The total cash outflows from leasing as of September 30, 2020 and 2019, are as follows.

	September 30, 2020	September 30, 2019
Total cash outflows from leases	6,562	7,443

18. CAPITAL STOCK AND CAPITAL SURPLUS

(1) Capital stock and capital surplus as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Capital stock:		
Common stock	896,331	896,331
Capital surplus:		
Capital in excess of par value	127,097	127,097
Others	(5,579)	(5,579)
Total	1,017,849	1,017,849

(2) The numbers of authorized shares as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean won):

	September 30, 2020	December 31, 2019
Authorized shares of capital stock	670,000,000 shares	670,000,000 shares
Par value	5,000	5,000
Issued shares of common stock	179,266,200 shares	179,266,200 shares

(3) Details of capital surplus as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Capital in excess of par value	127,097	127,097
Others	(5,579)	(5,579)
Total	121,518	121,518

(4) The bond-type hybrid securities classified as owner's equity as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

Classification	Issue date	Maturity date	Interest rate (%)	September 30, 2020	December 31, 2019
Hybrid ecurities	2020-06-11	2050-06-11	3.44	150,000	-
	Issuing cost			(87)	-
	Total			149,913	-

The hybrid securities mentioned above are redeemable after 5 years from date of issuance.

19. OTHER EQUITY

(1) Details of other equity as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Accumulated other comprehensive income:		
Gain (loss) on valuation of financial assets at FVTOCI	24,133	30,549
Remeasurement gains (losses) related to defined benefit plan	(4,826)	(3,199)
Cash flow hedging gains or losses	(11,428)	(5,889)

	September 30, 2020	December 31, 2019
Changes in other comprehensive income of foreign operations translation	2,871	415
Total	10,750	21,876

(2) Changes in other equity for the nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020			
	Beginning balance	Increase (decrease) on valuation (*)	Income tax effect	Ending balance
Accumulated other comprehensive income:				
Gain (loss) on valuation of financial assets at FVTOCI	30,549	(8,858)	2,442	24,133
Remeasurement elements of net defined benefit liabilities	(3,199)	(2,245)	618	(4,826)
Cash flow hedging gains or losses	(5,889)	(6,221)	682	(11,428)
Changes in other comprehensive income of foreign operations translation	415	3,387	(931)	2,871
Total	21,876	(13,937)	2,811	10,750

(*) Gain (loss) on valuation of financial assets at FVTOCI includes the amount of (-)25 million Won replaced by retained earnings due to the disposal of equity securities.

	September 30, 2019			
	Beginning balance	Increase (decrease) on valuation	Income tax effect	Ending balance
Accumulated other comprehensive income:				
Gain (loss) on valuation of financial assets at FVTOCI	32,670	1,756	(483)	33,943
Remeasurement elements of net defined benefit liabilities	(4,203)	(3,929)	1,080	(7,052)
Cash flow hedging gains or losses	(3,667)	(2,504)	587	(5,584)
Changes in other comprehensive	(508)	1,295	(356)	431

income of foreign operations translation				
Total	24,292	(3,382)	828	21,738

20. RETAINED EARNINGS

Details of retained earnings as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Legal reserve:		
Earned surplus reserve	111,746	111,745
Voluntary reserve:		
Regulatory reserve for credit loss	407,903	387,181
Retained earnings before appropriation	334,889	249,516
Total	854,538	748,442

(1) Earned surplus reserve

Korean Commercial Code requires a company to appropriate at least 10% of dividends paid as legal reserve for each fiscal period until the reserve equals 50% of paid-in capital. This reserve is not available for payment of cash dividends; however, it can be used to reduce deficit or can be transferred to capital.

(2) Regulatory reserve for credit loss

The Group accumulated the shortage as bad debt reserve, as the recognized allowance for doubtful accounts was less than the amount in accordance with the Regulations on Supervision of *Credit-Specialized Financial Business Act Article 11.*

21. REGULATORY RESERVE FOR CREDIT LOSS

In accordance with Article 11 of the Regulation on the Supervision of Banking Business (“RSBB”), if provisions for credit loss under Korean IFRS for the accounting purpose are lower than those for the regulatory purpose required by RSBB, the Group is required to reserve such difference as the regulatory reserve for credit loss.

The regulatory reserve for credit loss is classified as appropriated retained earnings. The excess of provisions under RSBB over provisions for credit loss under Korean IFRS can be reversed. If the Group has accumulated deficits, it should recommence setting aside reserve for credit loss at the time when the accumulated deficits are offset.

(1) Details of balance of the planned regulatory reserve for credit loss as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Beginning balance	407,903	387,181
Planned reversal of regulatory reserve for credit loss	21,899	20,722
Ending balance	429,802	407,903

(2) Planned reserves provided, adjusted net income after the planned reserves provided and adjusted earnings per share (“EPS”) after the planned reserves provided for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions, except for EPS amount):

	Periods ended September 30, 2020		Periods ended September 30, 2019	
Classification	Three-month	Nine-month	Three-month	Nine-month
Net income	27,757	107,411	28,330	94,831
Provision (reversal) of regulatory reserve for credit loss	18,431	21,899	28,790	44,078

Adjusted net income after the provision (reversal) of regulatory reserve	9,326	85,512	(460)	50,753
Adjusted EPS after the provision (reversal) of regulatory reserve	52	477	(3)	283

22. NET INTEREST INCOME

Net interest income is the amount of interest expenses deducted from the amount of interest income, whose details for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

	Periods ended September 30, 2020		Periods ended September 30, 2019	
Classification	Three-month	Nine-month	Three-month	Nine-month
Interest income:				
Interest on due from banks	265	1,110	422	1,182
Interest on financial assets at amortized cost	179,491	541,297	184,830	539,580
Subtotal	179,756	542,407	185,252	540,762
Interest expenses:				
Interest of borrowings	1,299	2,968	186	619
Interest of debentures	38,470	118,264	41,856	128,814
Others	645	1,541	586	1,412
Subtotal	40,414	122,773	42,628	130,845
Net interest income	139,342	419,634	142,624	409,917

23. NET FEES AND COMMISSIONS INCOME

Net fees and commissions income are the amount of fees and commissions expense deducted from the amount of fees and commissions income, whose details for the three-month and nine-month peiods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

	Periods ended September 30, 2020		Periods ended September 30, 2019	
Classification	Three-month	Nine-month	Three-month	Nine-month
Commission received:				
Commission received on credit card	126,449	371,387	136,885	401,844
Commission received on loans and discounts	722	2,072	364	917
Commission received on installment financing	235	661	161	630
Commission received on finance lease	2,274	5,618	1,113	2,915
Other commission received	410	1,382	376	924
Subtotal	130,090	381,120	138,899	407,230
Commission expenses:				
Commission expenses on credit card	132,318	397,625	135,193	408,891
Commission expenses on loans and discounts	548	1,661	356	2,410
Commission expenses on installment financing	297	874	173	625
Commission expenses on finance lease	3,059	7,108	464	1,964
Other commission expenses	3,618	12,612	3,918	10,861
Subtotal	139,840	419,880	140,104	424,751
Net fees and commissions income	(9,750)	(38,760)	(1,205)	(17,521)

24. DIVIDEND INCOME

Details of dividend income recognized for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

Classification	Periods ended September 30, 2020		Periods ended September 30, 2019	
	Three-month	Nine-month	Three-month	Nine-month
Dividend in local currency	-	5,726	-	4,749
Distribution of capital contribution	-	1,026	-	1,087
Total	-	6,752	-	5,836

25. GAINS OR LOSSES RELATED TO FINANCIAL INSTRUMENTS AT FVTPL

Details of gains or losses related to financial instruments at FVTPL (Korean IFRS 1109 and Korean IFRS 1039) for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

Classification	Periods ended September 30, 2020		Periods ended September 30, 2019	
	Three-month	Nine-month	Three-month	Nine-month
Net gain on disposal of financial instruments at FVTPL	248	1,002	400	1,055

26. IMPAIRMENT LOSSES DUE TO CREDIT LOSS

Impairment losses for loans, other receivables, guarantees and unused commitments for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

Classification	Periods ended September 30, 2020		Periods ended September 30, 2019	
	Three-month	Nine-month	Three-month	Nine-month
Provision for impairment loss due to credit loss on financial asset at amortized cost	38,776	146,953	61,598	188,064
Provision for (Reversal of) unused commitments	2,483	3,756	(401)	2,460
Total	41,259	150,709	61,197	190,524

27. **GENERAL AND ADMINISTRATIVE EXPENSES AND OTHER OPERATING INCOME (EXPENSE)**

(1) Details of general and administrative expenses for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

Classification	Periods ended September 30, 2020		Periods ended September 30, 2019	
	Three-month	Nine-month	Three-month	Nine-month
Salaries:				
Short-term employee benefits:				
Salaries and wages	15,621	43,947	13,620	38,890
Employee benefits	4,535	13,181	3,969	11,047
Retirement benefit service costs	1,533	4,664	1,354	5,663
Subtotal	21,689	61,792	18,943	55,600
Depreciation	4,767	14,241	5,434	14,193
Amortization	3,656	10,371	2,780	7,455
Other general and administrative expenses:				
Reimbursement	138	412	145	436
Business taskforce cost	280	803	285	780
Rent expense	2,091	6,275	1,943	6,069
Advertising	458	1,622	507	2,531
Taxes and public dues	3,231	9,836	3,402	12,639
Computer and IT-related expense	9,211	28,734	7,970	24,568
Service charges	867	2,720	693	2,631
Telephone and communication	1,086	3,757	1,526	4,588
Supplies	134	453	134	347
Others	1,705	4,981	1,500	4,602
Subtotal	19,201	59,593	18,105	59,191
Total	49,313	145,997	45,262	136,439

(2) Details of net other operating income (expenses) for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

Classification	Periods ended September 30, 2020		Periods ended September 30, 2019	
	Three-month	Nine-month	Three-month	Nine-month
Other operating income:				
Reversal of provision for other provisions	198	199	3	32
Gain on valuation of derivatives	(13,484)	6,700	18,463	45,187
Gain on trading of derivatives	313	403	8,590	8,590
Gain on foreign currency transaction	8,375	17,451	-	-
Other income	634	31,296	5,251	26,912
Subtotal	(3,964)	56,049	32,307	80,721
Other operating expenses:				
Provision for other provisions	75	123	162	247
Loss on valuation of derivatives	7,891	16,689	-	-
Loss on trading of derivatives	253	253	-	1,078
Loss on foreign currency transaction	(12,427)	6,761	-	-
Other expenses	4,194	12,858	31,384	65,366
Subtotal	(14)	36,684	31,546	66,691
Total	(3,950)	19,365	761	14,030

28. NON-OPERATING INCOME (EXPENSES)

Details of other non-operating income (expenses) for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

Classification	Periods ended September 30, 2020 Three-month	Periods ended September 30, 2020 Nine-month	Periods ended September 30, 2019 Three-month	Periods ended September 30, 2019 Nine-month
Other non-operating income:				
Others	809	2,656	823	21,479
Other non-operating expenses:				
Disposal tangible assets, etc	-	5	46	262
Donation	26	381	249	291
Others	112	206	104	964
Subtotal	138	592	399	1,517
Total	671	2,064	424	19,962

29. INCOME TAX EXPENSE

(1) Details of income tax expense for the nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	September 30, 2019
Current income tax payable	31,628	38,223
Adjustment recognized in the period for current tax of prior periods	(2,590)	(3,440)
Changes in deferred income taxes due to temporary differences	1,147	(8,989)
Changes in deferred income taxes directly reflected in equity	2,811	2,944
Other changes	-	464
Income tax expense	32,996	29,202

(2) The relationship between income tax expense and income before income tax expense for the nine-month periods ended September 30, 2020 and 2019, is as follows (Unit: Korean Won in millions):

	September 30, 2020	September 30, 2019
Net income before income tax expense	140,407	124,033
Tax calculated at statutory tax rate (*)	33,632	29,669
Adjustments:		
Effect of non-taxable income	(718)	(339)
Effect of non-deductible expenses	296	268
Adjustment recognized in the period for current tax of prior periods	-	(3,440)
Effect of consolidated tax	(1,242)	(215)
Others	1,028	3,259
Income tax expense	32,996	29,202
Effective tax rate (%)	23.50	23.54

(*) The corporate tax rate is 11% for income below 200 million Won, 22% for income more than 200 million Won and below 20 billion Won, 24.2% for income more than 20 billion Won and below 300 billion Won and 27.5% for income more than 300 billion Won.

(3) Changes in cumulative temporary differences as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020			
	Beginning balance	Recognized as income (loss)	Recognized as other comprehensive income (loss)	Ending balance
Unearned income in local currency (card point)	34,138	(6,051)	-	28,087
Other provisions	15,578	1,143	-	16,721
Gain (loss) on valuation of FVTOCI	(11,595)	-	2,441	(9,154)
Gain (loss) on valuation of securities	(10,713)	(2)	-	(10,715)
Unconfirmed expenses	9,414	(1,101)	-	8,313
Retirement benefit obligation	8,611	1,172	618	10,401
Provision for retirement insurance benefits	(6,690)	(2,347)	-	(9,037)
Asset retirement obligation	1,250	17	-	1,267
Impairment loss on membership	316	-	-	316
Discount on present value of installment receivable	1,634	(212)	-	1,422
Loss on valuation of derivatives	452	(131)	682	1,003
Leased office facilities	(122)	83	-	(39)
Gain (loss) on fair value of properties for business use	(339)	-	-	(339)
Deferred loan origination cost (fee)	(7,011)	(3,638)	-	(10,649)
Gain on fair value of buildings for business use	121	6	-	127
Right-of-use assets	(7,709)	1,767	-	(5,942)
Lease liabilities	7,616	(1,545)	-	6,071
Others	6,426	6,881	(930)	12,377
Net deferred tax assets	41,377	(3,958)	2,811	40,230

	December 31, 2019			
	Beginning balance	Recognized as income (loss)	Recognized as other comprehensive income (loss)	Ending balance
Unearned income in local currency (card point)	32,977	1,161	-	34,138
Other provisions	14,898	(1,548)	2,228	15,578
Gain (loss) on valuation of FVTOCI	(12,392)	-	797	(11,595)
Gain on valuation of securities	(10,713)	-	-	(10,713)
Unconfirmed expenses	6,432	2,982	-	9,414
Retirement benefit obligation	7,665	1,327	(381)	8,611
Provision for retirement insurance benefits	(5,817)	(873)	-	(6,690)
Asset retirement obligation	1,439	(189)	-	1,250
Impairment loss on membership	316	-	-	316
Discount on present value of installment receivable	2,724	(1,090)	-	1,634
Loss on valuation of derivatives	407	(261)	306	452
Leased office facilities	(197)	75	-	(122)
Gain (loss) on fair value of properties for business use	(339)	-	-	(339)
Deferred loan origination cost (fee)	(6,743)	(268)	-	(7,011)
Gain on fair value of buildings for business use	113	8	-	121
Right-of-use assets	-	(7,709)	-	(7,709)
Lease liabilities	-	7,616	-	7,616
Others	1,612	5,276	(462)	6,426
Net deferred tax assets	32,382	6,507	2,488	41,377

(4) Details of deferred tax relating to items that are recognized directly in equity as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Loss on valuation of financial assets at FVTOCI	(9,153)	(11,595)
Remeasurements of net defined benefit plan	1,831	1,213
Cash flow hedging gains or losses	1,052	370
Exchange difference in foreign operation	(1,088)	(157)
Business combination under common control	2,116	2,116
Total	(5,242)	(8,053)

(5) Current tax assets and liabilities as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	December 31, 2019
Current tax liabilities	10,982	38,279

30. EARNING PER SHARE ("EPS")

Details of basic EPS for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows:

	Periods ended September 30, 2020		Periods ended September 30, 2019	
Classification	Three-month	Nine-month	Three-month	Nine-month
Net income (Unit: KRW in millions)	27,757	107,411	28,330	94,831
Dividends in hybrid securities (Unit: KRW in millions)	1,290	1,290	-	-
Net income attributable to ordinary shares (Unit: KRW in millions)	26,467	106,121	28,330	94,831
Weighted-average number of shares outstanding (Unit: in millions)	179	179	179	179
Net income per share (Unit: KRW)	148	593	158	529

The Group had not diluted potential ordinary shares for the reporting periods. Accordingly, diluted EPS equals basic EPS for the nine-month periods ended September 30, 2020 and 2019.

31. CONTINGENT LIABILITIES AND COMMITMENTS

(1) Details of guarantees which the Group has provided to others as of September 30, 2020, and December 31, 2019, did not exist.

(2) Details of loan commitments and other commitments which the Group provided for others as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions, except ratio):

	Septmeber 30, 2020	December 31, 2019
Loan commitments in local currency:		
Unused credit limits	36,754,829	33,120,042
Provisions for unused commitments	55,387	51,631
Ratio (%)	0.15	0.16

(3) Details of lawsuits that the Group has filed and faced as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	
	As plaintiff	As defendant
Number of cases	16	17
Amount of litigation	5,419	1,197

	December 31, 2019	
	As plaintiff	As defendant
Number of cases	20	18
Amount of litigation	5,487	1,305

As of September 30, 2020, and December 31, 2019, the lawsuits discussed above do not include litigations in regard to electronic claims for late payment on credit cards. Accordingly, these lawsuits have no significant impact on the consolidated interim financial statements as of September 30, 2020, and December 31, 2019.

(4) Early redemption in relation to asset securitization

As prescribed by the agreements, risk of investors based on the changes in asset quality is limited due to the trigger condition which is created for credit supplement.

The Group has an obligation to early redeem the asset-backed securities in case the trigger condition is breached.

(5) Others

Among the receivables that have been written off, the Group recognizes the following items as written-off loans: a) Loans which are legally effective since the statute of limitations has not expired or b) Loans which the Group still has the right to claim against debtors due to the failure of collection of written-off loans. Accordingly, the balances of the Group's written-off loans as of September 30, 2020, and December 31, 2019, are 1,224,532 million Won and 1,157,060 million Won, respectively.

32. ASSET-BACKED SECURITIZATION

The Group has transferred some of its financial instruments, such as credit card receivables, to the trust company pursuant to the Asset-Backed Securitization Act.

(1) The initial transfer price of the credit card receivable that the Group sold by the Asset-Backed Securitization Act is as follows (Unit: Korean Won in millions):

	Initial transfer date	Transfer value (*1)
Woori Card 2017-1 Asset Securitization Specialty Co., Ltd. (*2)	2017-01-23	692,495
Woori Card 2017-2 Asset Securitization Specialty Co., Ltd.	2017-11-09	672,383
Woori Card 2018-1 Asset Securitization Specialty Co., Ltd.	2018-10-31	567,997
Woori Card 2019-1 Asset Securitization Specialty Co., Ltd.	2019-11-12	388,498
Woori Card 2020-1 Asset Securitization Specialty Co., Ltd.	2020-04-09	533,100

(*1) The effects of provision and present value discount are excluded.
(*2) The liquidation has been completed as of September 30, 2020.

(2) The receivables sold but uncollected by the Asset-Backed Securitization Act as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

	Assets sold	September 30, 2020	December 31, 2019
Woori Card 2017-1 Asset Securitization Specialty Co., Ltd.	Credit card assets	-	322,041
Woori Card 2017-2 Asset Securitization Specialty Co., Ltd.	Credit card assets	488,770	522,684
Woori Card 2018-1 Asset Securitization Specialty Co., Ltd.	Credit card assets	431,041	475,917
Woori Card 2019-1 Asset Securitization Specialty Co., Ltd.	Credit card assets	341,410	396,706
Woori Card 2020-1 Asset Securitization Specialty Co., Ltd.	Credit card assets	488,824	-

33. **RELATED-PARTY TRANSACTIONS**

(1) Related parties of the Group

1) The parent company of the Group as of September 30, 2020, is Woori Bank (100% share ratio).

2) As of September 30, 2020, related parties of the Group are summarized as follows:

	Related parties
Parent	Woori Financial Group
Others	Woori Bank, Woori FIS Co., Ltd., Woori Private Equity Co., Ltd., Woori Finance Research Institute Co., Ltd., Woori Investment Bank Co., Ltd., Woori Credit Information Co. Ltd., Woori America Bank, PT Bank Woori Saudara Indonesia 1906, Tbk., Woori Global Markets Asia Limited, Woori Bank China Co. Ltd., Woori bank Russia, Banco Woori Bank do Brasil S.A., Korea BTL Infrastructure Fund, Woori Fund Service Co., Ltd., Woori Finance Myanmar Co., Ltd., Wealth Development Bank, Woori Bank Vietnam Limited, WB Finance Co., Ltd, Woori Bank Europe, Woori Asset Trust Co., Ltd., Woori Asset Management Co., Ltd, Bum-gyo Co., Ltd., Woori Global Asset Management Co., Ltd., Woori Bank Principal and Interest Guaranteed Trust, Kumho Trust 1st Co., Ltd. and 58 SPCs, Heungkuk Woori Tech Company Private Placement Investment Trust No. 1 and 30 beneficiary certificates, Woori Service Networks Co., Korea Credit Bureau Co., Ltd., Korea Finance Security Co., Ltd., Chin Hung International, Inc., K BANK Co., Ltd, Lotte Card Co, Ltd., Others (Dong-woo C&C 37 other related companies)

(2) The Group’s key management includes the registered directors and executives with important authority and responsibilities for plans, operations and regulations of the Group’s activities. Details of compensation for key management for the nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

	September 30, 2020	September 30, 2019
Salaries	2,760	2,566
Severance and retirement benefits	114	120

(3) Significant transactions with related parties for the nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

		September 30, 2020						
	Related parties	Interest revenue	Interest expense	Commissions income	Commissions expense	Bad debt expense (reversal)	Other operating income	Other operating expense
Parent	Woori Financial Group	-	-	-	-	-	-	-
Others	Woori Bank	153	267	357	86,790	(1)	107	466
	Woori Credit Information Co. Ltd.	-	-	-	1,324	-	-	6,259
	Woori FIS Co., Ltd.	-	-	-	-	-	-	26,165
	Woori Finance Research Institute Co., Ltd.	-	-	-	-	-	-	-
	Woori Investment Bank Co., Ltd.	396	-		-	-		-
	Woori Asset Trust Co., Ltd.	-	-	-	-	(2)	-	-
	Woori Asset Management Co., Ltd.	-	-	-		-	-	-
	Woori Global Asset Management Co., Ltd.	-	-	-	-	(1)	-	-
	Korea Credit Bureau Co., Ltd	-	-	-	2,357	-	-	-
	W Service Networks Co., Ltd.	-			373	(3)		218
	Korea Finance Security Co., Ltd.	-	-	-	-	-	-	69
	Chin Hung International Inc.	-	-	-	-	-	-	-
	Total	549	267	357	90,844	(7)	107	33,177

		September 30, 2019						
	Related parties	Interest revenue	Interest expense	Commissions income	Commissions expense	Bad debt expense (reversal)	Other operating income	Other operating expense
The ultimate parent company	Woori Financial Group	-	-	-	-	-	-	-
Parent	Woori Bank	23	574	83	96,520	(1)	-	513
Others	Woori Credit Information Co. Ltd.	-	-	-	1,364	-	-	6,241
	Woori FIS Co., Ltd.	-	-	-	-	-	-	22,724
	Woori Investment Bank Co., Ltd.	336	-	-	-	-	-	-
	Korea Credit Bureau Co., Ltd.	-	-	-	1,880		-	208
	Woori Service Networks Co., Ltd.	-	-	-	337	(1)	-	87
	Korea Finance Security Co., Ltd.	-	-	-	-	1	-	-
	Chin Hung International Inc.	-	-	-	-	32	-	-
	Total	359	574	83	100,101	31	-	29,773

(4) Significant balances with related parties as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

		September 30, 2020					
		Receivables				Payables	
			Financial aseets at amortized cost				
	Related parties	Cash and cash equivalents	Gross carrying amount	Provision for credit losses	Other assets	Borrowings	Other liabilities
Parent	Woori Financial Group	-	298	-	-	-	20,926
Others	Woori Bank	106,896	14,474	(3)	170	4,694	22,882
	Woori Credit Information Co. Ltd.	-	107	-	-	-	828
	Woori Fund Service	-	70	-	-	-	-
	Woori FIS Co., Ltd.	-	380	-	-	-	2,857
	Woori Private Equity Co., Ltd.	-	31	-	-	-	-
	Woori Finance Research Institute Co., Ltd.	-	26	-	-	-	-
	Woori Investment Bank Co., Ltd.	50,000	286	-	-	-	-
	Woori Asset Trust Co., Ltd.	-	373	-	-	-	-
	Woori Asset Management Co., Ltd.	-	41	-	-	-	-
	Woori Global Asset Management Co., Ltd.	-	27	-	-	-	-
	Korea Credit Bureau Co., Ltd.	-	1	-	-	-	-
	W Service Networks Co., Ltd.	-	50	-	-	-	-
	Korea Finance Security Co., Ltd	-	45	-	-	-	-
	Chin Hung International Inc.	-	283	(3)	-	-	1
	K BANK Co., Ltd.	-	179	-	-	-	-
	Total	156,896	16,671	(6)	170	4,694	47,494

		December 31, 2019					
		Receivables				Payables	
			Financial aseets at amortized cost				
	Related parties	Cash and cash equivalents	Gross carrying amount	Provision for credit losses	Other assets	Borrowings	Other liabilities
Parent	Woori Financial Group	-	305	-	-	-	37,754
Others	Woori Bank	52,635	17,609	(4)	2,199	4,631	14,117
	Woori Credit Information Co. Ltd.	-	142	-	-	-	1,240
	Woori Fund Service	-	58	-	-	-	-
	Woori FIS Co., Ltd.	-	491	-	-	-	3,045
	Woori Private Equity Co., Ltd.	-	39	-	-	-	-
	Woori Finance Research Institute Co., Ltd.	-	45	-	-	-	-
	Woori Investment Bank Co., Ltd.	50,000	279	-	41	-	-
	Korea Credit Bureau Co., Ltd.	-	3	-	-	-	-
	W Service Networks Co., Ltd.	-	23	(1)	-	-	26
	Korea Finance Security Co., Ltd.	-	60	-	-	-	-
	Chin Hung International Inc.	-	244	(2)	-	-	1
	K BANK Co., Ltd.	-	141	-	-	-	-
	Total	102,635	19,439	(7)	2,240	4,631	56,183

(5) Changes in credit card assets for the nine-month periods ended September 30, 2020 and 2019, are as follows (Unit: Korean Won in millions):

		September 30, 2020			
Related parties		Beginning balance	Increase	Decrease	Ending balance
Parent	Woori Financial Group	305	32,811	32,818	298
Others	Woori Bank	17,609	144,448	149,069	12,988
	Woori Credit Information Co. Ltd.	142	1,236	1,271	107
	Woori Fund Service	58	605	593	70
	Woori FIS Co., Ltd.	491	4,674	4,785	380
	Woori Private Equity Co., Ltd.	39	346	354	31
	Woori Finance Research Institute Co., Ltd.	45	261	280	26
	Woori Investment Bank Co., Ltd.	279	2,600	2,628	251
	Woori Asset Trust Co., Ltd.	-	2,653	2,280	373
	Woori Asset Management Co., Ltd.	-	38	340	41
	Woori Global Asset Management Co., Ltd.	-	339	312	27
	Korea Credit Bureau Co., Ltd.	2	14	15	1
	W Service Networks Co., Ltd.	22	272	244	50
	Korea Finance Security Co., Ltd.	59	388	402	45
	Chin Hung International Inc.	245	1,774	1,736	283
	K BANK Co., Ltd.	141	1,544	1,506	179

		September 30, 2019			
Related parties		Beginning balance	Increase	Decrease	Ending balance
The ultimate parent company	Woori Financial Group	-	1,807	1,539	268
Parent	Woori Bank	11,428	169,938	166,063	15,303
Others	Woori Credit Information Co. Ltd.	88	1,185	1,180	93
	Woori Fund Service	41	464	449	56
	Woori FIS Co., Ltd.	559	4,455	4,557	457
	Woori Private Equity Co., Ltd.	28	433	410	51
	Woori Finance Research Institute Co., Ltd.	34	291	292	33
	Woori Investment Bank Co., Ltd.	180	2,272	2,228	224
	Korea Credit Bureau Co., Ltd.	7	22	26	3
	W Service Networks Co., Ltd.	69	239	277	31
	Korea Finance Security Co., Ltd.	57	440	445	52
	Chin Hung International Inc.	241	1,643	1,717	167
	K BANK Co., Ltd.	185	1,798	1,812	171

(6) There are no borrowing transactions with the related parties for the nine-month periods ended September 30, 2019. but details of borrowing transactions with the related parties for the nine-month periods ended September 30, 2020, are as follows (Unit: Korean Won in millions):

		September 30, 2020	
		Financing transactions	
Related party		Borrowings	Repayment
Parent	Woori Financial Group (*)	150,000	-

(*) This is the amount of hybrid securities issued for the nine-month period ended September 30, 2020.

In addition to the above, funds are being settled every business day with Woori Bank related to the payment and recovery of credit card bills. Meanwhile, the dividends in hybrid securities paid to Woori Financial Group, the parent company, during the quarter was 1,290 million won.

(7) As of September 30, 2020, Woori Investment Bank has taken over 10,000 million Won in bonds issued by the Group.

(8) Guarantees between the related parties as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

1) Guarantees provided to the related parties are as follows:

Warrantee		Warranty	September 30, 2020	December 31, 2019
Parent	Woori Financial Group	Loan commitment	202	495
Others	Woori Bank	Loan commitment	175,002	167,880
	Woori FIS Co., Ltd.	Loan commitment	1,220	1,109
	Woori Credit Information Co., Ltd.	Loan commitment	698	737
	Woori Private Equity Co., Ltd.	Loan commitment	-	161
	Woori Fund Service	Loan commitment	30	242
	Woori Finance Research Institute Co., Ltd.	Loan commitment	338	302
	Woori Investment Bank Co., Ltd.	Loan commitment	808	422
	Woori Asset Trust Co., Ltd.	Loan commitment	727	-
	Woori Asset Management Co., Ltd.	Loan commitment	271	-
	Woori Global Asset Management Co., Ltd.	Loan commitment	173	-
	Korea Credit Bureau Co., Ltd.	Loan commitment	34	32
	W Service Networks Co., Ltd.	Loan commitment	150	177
	Korea Finance Security Co., Ltd.	Loan commitment	215	200
	Chin Hung International Inc.	Loan commitment	267	306
	K BANK Co., Ltd.	Loan commitment	121	159

2) Guarantees received from related parties

Unused commitments received from Woori Bank as of September 30, 2020, and December 31, 2019, are 500,000 millions Won each.

(9) Details of derivative assets and commitment amount related to the liabilities with related parties as of September 30, 2020, and December 31, 2019, are as follows (Unit: Korean Won in millions):

		September 30, 2020	December 31, 2019
Woori Bank	Unsettled commitment	200,000	100,000

Deloitte Anjin LLC
9F., One IFC,
10, Gukjegeumyung-ro,
Youngdeungpo-gu, Seoul
07326, Korea

Tel: +82 (2) 6676 1000
Fax: +82 (2) 6674 2114
www.deloitteanjin.co.kr

INDEPENDENT AUDITORS' REPORT

English Translation of Independent Auditors' Report Originally Issued in Korean on March 12, 2020

To the Shareholders and the Board of Directors of Woori Card Co. Ltd. Report on the Audited Consolidated Financial Statements

Audit Opinion

We have audited the accompanying consolidated financial statements of Woori Card Co. Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, respectively, and the consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2019 and 2018, respectively, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRSs").

Basis for Audit Opinion

We conducted our audits in accordance with the Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audits of the consolidated financial statements in the Republic of Korea as required by prevailing audit regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with K-IFRSs, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management of the Group is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting, unless management either intends to liquidate the Group, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Deloitte.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Deloitte Anjin LLC

March 12, 2020

<u>Notice to Readers</u>

This report is effective as of March 12, 2020, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditors' report.

WOORI CARD CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

	December 31, 2019	December 31, 2018
	(Korean won in millions)	
ASSETS		
Cash and cash equivalents (Notes 4, 5 and 34)	116,201	362,202
Financial assets at fair value through other comprehensive income (“FVTOCI”) (Notes 6 and 9)	85,086	87,753
Financial assets at amortized cost (Notes 4, 7, 8, 9, 32 and 34)	9,646,971	9,425,657
Premises and equipment (Note 10)	56,868	22,565
Intangible assets (Note 11)	43,338	35,768
Deferred tax assets (Note 29)	41,377	32,382
Derivative assets (Notes 4, 9 and 16)	9,366	263
Net defined benefit assets (Note 15)	887	343
Other assets (Notes 12 and 34)	87,248	20,467
Total assets	10,087,342	9,987,400
LIABILITIES		
Borrowings (Notes 4, 9, 13 and 34)	4,631	4,485
Debentures (Notes 4, 9 and 13)	7,075,968	7,039,929
Provisions (Notes 14 and 31)	56,815	55,042
Current tax liabilities (Note 29)	38,279	23,623
Derivative liabilities (Notes 4, 9 and 16)	6,839	33,754
Other financial liabilities (Notes 4, 9 and 17)	915,988	1,014,051
Other liabilities (Notes 17 and 34)	200,655	134,552
Total liabilities	8,299,175	8,305,436
EQUITY		
Owners’ equity:	1,788,167	1,681,964
Capital stock (Note 18)	896,331	896,331
Capital surplus (Note 18)	121,518	127,097
Other equity (Note 19)	21,876	24,292
Retained earnings (Note 20) (Regulatory reserves for credit loss as of December 31, 2019 and 2018, are ₩387,181 million and ₩403,277 million, respectively.	748,442	634,244
Planned provisions for regulatory reserve (reversal) for credit loss as of December 31, 2019 and 2018, are ₩20,722 million and ₩ (-) 16,096 million, respectively. (Note 21)		
Non-controlling interests	-	-
Total equity	1,788,167	1,681,964
Total liabilities and equity	10,087,342	9,987,400

See accompanying notes.

WOORI CARD CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
	(Korean won in millions, except for per share data)	
Interest income	725,320	668,906
Interest expense	172,740	161,116
Net interest income (Notes 22 and 34)	552,580	507,790
Fees and commissions income	548,793	612,109
Fees and commissions expense	566,461	599,811
Net fees and commissions income (expense) (Notes 23 and 34)	(17,668)	12,298
Dividend income (Note 24)	5,836	10,154
Net gain on financial instruments at fair value through profit or loss ("FVTPL") (Note 25)	1,375	2,749
Impairment losses due to credit loss (Notes 26 and 34)	254,823	244,762
General and administrative expenses (Note 27)	190,062	170,765
Other net operating income (expense) (Notes 27 and 34)	32,623	49,308
Operating income	129,861	166,772
Non-operating income (expenses) (Note 28)	20,160	(259)
Net income before income tax expense	150,021	166,513
Income tax expense (Note 29)	35,824	39,979
Net income (After the provision of regulatory reserves for credit loss for the years ended December 31, 2019 and 2018, net income is ₩93,475 million and ₩81,908 million, respectively.) (Note 21)	114,197	126,534

(Continued)

WOORI CARD CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (CONTINUED)

	2019	2018
	(Korean won in millions, except for per share data)	
Net gain on valuation of financial assets at FVTOCI	(2,120)	(1,531)
Remeasurement of the net defined benefit liability	1,004	(1,125)
Items that will not be reclassified to profit or loss	(1,116)	(2,656)
Net loss on valuation of cash flow hedge	(2,222)	(5,370)
Gain (loss) on foreign currency translation of foreign operations	923	(224)
Items that may be reclassified to profit or loss	(1,299)	(5,594)
Other comprehensive income, net of tax (Note 19)	(2,415)	(8,250)
Total comprehensive income	111,782	118,284
Net income attributable to:	114,197	126,534
Owners	114,197	126,534
Non-controlling interests	-	-
Total comprehensive income attributable to:	111,782	118,284
Owners	111,782	118,284
Non-controlling interests	-	-
Net income per share (in Korean won) (Note 30)		
Basic earnings per common share and diluted earnings per common share	637	706

See accompanying notes.

WOORI CARD CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Capital stock	Capital surplus	Other equity	Retained earnings	Controlling interests	Non-controlling interests	Total
	(Korean won in millions)						
January 1, 2018	896,331	127,097	32,542	564,550	1,620,520	-	1,620,520
Cumulative effect of change in accounting policy	-	-	-	(56,840)	(56,840)	-	(56,840)
Adjusted balance, beginning of year	896,331	127,097	32,542	507,710	1,563,680	-	1,563,680
Net income	-	-	-	126,534	126,534	-	126,534
Net gain (loss) on valuation of financial assets at FVTOCI	-	-	(1,531)	-	(1,531)	-	(1,531)
Remeasurement of the net defined benefit liability	-	-	(1,125)	-	(1,125)	-	(1,125)
Net loss on valuation of cash flow hedge	-	-	(5,370)	-	(5,370)	-	(5,370)
Gain on foreign currency translation of foreign operations	-	-	(224)	-	(224)	-	(224)
December 31, 2018	896,331	127,097	24,292	634,244	1,681,964	-	1,681,964
January 1, 2019	896,331	127,097	24,292	634,244	1,681,964	-	1,681,964
Net income	-	-	-	114,197	114,197	-	114,197
Business combination involving entities under common control (Note 33)	-	(5,579)	-	-	(5,579)	-	(5,579)
Net gain (loss) on valuation of financial assets at FVTOCI	-	-	(2,120)	-	(2,120)	-	(2,120)
Changes in other comprehensive income due to disposal of equity securities at FVTOCI	-	-	(1)	1	-	-	-
Remeasurement of the net defined benefit liabilities	-	-	1,004	-	1,004	-	1,004
Net loss on valuation of cash flow hedge	-	-	(2,222)	-	(2,222)	-	(2,222)
Gain on foreign currency translation of foreign operations	-	-	923	-	923	-	923
December 31, 2019	896,331	121,518	21,876	748,442	1,788,167	-	1,788,167

See accompanying notes.

WOORI CARD CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
	(Korean won in millions)	
Cash flows from operating activities:		
Adjustments to net income:		
Net income	114,197	126,534
Income tax expense	35,824	39,979
Dividend income	(5,836)	(10,154)
Interest income	(725,320)	(668,906)
Interest expense	172,740	161,116
	(408,395)	(351,431)
Additions of expenses not involving cash outflows:		
Impairment losses due to credit loss	254,823	244,762
Depreciation	17,905	6,158
Disposal loss on tangible assets	277	24
Amortization	10,463	5,320
Disposal loss on intangible assets	-	27
Retirement benefits	5,518	4,744
Loss on valuation of derivatives	2,255	-
Loss on transaction of derivatives	1,125	-
Loss on other provisions	486	390
Loss on translation of foreign currency	34,136	27,597
Others	1	-
	326,989	289,022
Deductions of revenues not involving cash inflows:		
Gain on disposal of financial instruments at FVTPL	-	2,749
Gain on impairment loss on intangible assets	-	270
Gain on valuation of derivatives	20,452	26,698
Gain on transaction of derivatives	15,955	-
Gain on other provisions	254	59
Gain on translation of foreign currency	3,390	-
	40,051	29,776
Changes in operating assets and liabilities:		
Financial assets at amortized cost	(488,747)	(1,932,487)
Other assets	(67,126)	(1,209)
Provision	(957)	(467)
Net defined benefit liability	(4,677)	(5,336)
Other financial liabilities	(124,607)	386,943
Other liabilities	17,527	(3,341)
	(668,587)	(1,555,897)

(Continued)

WOORI CARD CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (CONTINUED)

	2019	2018
	(Korean won in millions)	
Cash received from (paid for) operating activities:		
Income tax paid	(27,675)	(16,431)
Dividend received	5,836	10,154
Interest income received	725,159	670,382
Interest expense paid	(150,923)	(156,205)
	552,397	507,900
Net cash used in operating activities	(237,647)	(1,140,182)
Cash flows from investing activities:		
Cash inflows from investing activities:		
Disposal of financial instruments at FVTPL	-	941
Disposal of financial instruments at FVTOCI	1	-
Disposal of intangible assets	-	1,470
Decrease of guarantee deposits	3,960	495
Business combination involving entities under common control (Note 33)	34,743	-
	38,704	2,906
Cash outflows for investing activities:		
Acquisition of financial assets at FVTOCI	251	178
Acquisition of premises and equipment	13,667	8,586
Acquisition of intangible assets	15,576	8,458
Increase of guarantee deposits	2,850	1,002
	32,344	18,224
Net cash used in investing activities	6,360	(15,318)
Cash flows from financing activities:		
Cash inflows from financing activities:		
Increase in borrowings	-	3,839
Issuance of debentures	16,883,735	16,207,802
	16,883,735	16,211,641
Cash outflows for financing activities:		
Repayment of debentures	16,882,280	15,320,000
Repayment of lease liabilities	10,649	-
Decrease in derivative liabilities	5,520	-
	16,898,449	15,320,000
Net cash provided by (used in) financing activities	(14,714)	891,641
Net decrease in cash and cash equivalents	(246,001)	(263,859)
Cash and cash equivalents at the beginning of year	362,202	626,061
Cash and cash equivalents at the end of year (Notes 5 and 35)	116,201	362,202

(Concluded)

See accompanying notes.

WOORI CARD CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

1. GENERAL:

(1) Summary of the Parent Company

Woori Card Co., Ltd. (the "Company" or "Parent Company"), which is a controlling entity in accordance with Korean International Financial Reporting Standards ("K-IFRSs") 1110 – *Consolidated Financial Statements*, was incorporated on April 1, 2013, as a result of spin-off from Woori Bank. The Company was established for the purpose of engaging in credit card business, and the Company started its business after the completion of the registration process on April 1, 2013. The Company is engaged in credit sales business under the Specialized Credit Financial Business Act of Korea, cash advance services, card loan services and others. The Company is subject to the laws, regulations and ordinance of the Specialized Credit Financial Business Act.

As of December 31, 2019, the Company maintains approximately ₩13.50 million of credit card and debit card members. As of December 31, 2019, Woori financial group Inc. ("Woori financial group") holds 100% of the Company's ownership interest through a comprehensive stock exchange of shares between Woori Bank and Woori financial group for the year ended December 31, 2019.

(2) The consolidated financial statements of Woori Card and subsidiaries (the "Group") include the following subsidiaries:

Subsidiaries	Location	Main business	Percentage of ownership (%) December 31, 2019	Percentage of ownership (%) December 31, 2018	Financial statements as of
TUTU Finance-WCI Myanmar Co., Ltd.	Myanmar	Finance	100.0	100.0	December 31, 2019
Woori Card 2017-1 Asset Securitization Specialty Co., Ltd. (*)	Korea	Asset securitization	0.5	0.5	December 31, 2019
Woori Card 2017-2 Asset Securitization Specialty Co., Ltd. (*)	Korea	Asset securitization	0.5	0.5	December 31, 2019
Woori Card 2018-1 Asset Securitization Specialty Co., Ltd. (*)	Korea	Asset securitization		0.5	0.5 2019
Woori Card 2019-1 Asset Securitization Specialty Co., Ltd. (*)	Korea	Asset securitization	0.5	-	Decembe r 31, December 31, 2019

(*) Ownership ratio is less than half, but it has control because it is significantly exposed to the variable return of the investee and its power to determine the performance affects the variable return of the investee.

(3) The summarized financial information before the elimination of intercompany transactions of the subsidiaries whose financial information was prepared under K-IFRSs for the Group's consolidated financial statements is as follows (Unit: Korean won):

	As of and for the year ended December 31, 2019							
Subsidiaries	Assets	Liabilities	Equity	Capital stock	Other equity	Retained earnings	Operating gains	Net income
TUTU Finance-WCI Myanmar Co., Ltd.	29,707	7,451	22,256	19,664	573	2,019	5,919	2,717
Woori Card 2017-1 Asset Securitization Specialty Co., Ltd.	60,215	60,216	(1)	-	(1)	-	23,775	-
Woori Card 2017-2 Asset Securitization Specialty Co., Ltd.	346,855	348,917	(2,062)	-	(2,062)	-	21,651	-
Woori Card 2018-1 Asset Securitization Specialty Co., Ltd.	300,073	300,073	-	-	-	-	6,077	-
Woori Card 2019-1 Asset Securitization Specialty Co., Ltd.	233,838	234,481	(643)	-	(643)	-	2,660	-

	As of and for the year ended December 31, 2018							
Subsidiaries	Assets	Liabilities	Equity	Capital stock	Other equity	Retained earnings	Operating gains	Net income
TUTU Finance-WCI Myanmar Co., Ltd.	12,583	5,502	7,081	8,480	(701)	(698)	1,652	(346)
Woori Card 2017-1 Asset Securitization Specialty Co., Ltd.	361,312	361,239	73	-	73	-	20,712	-
Woori Card 2017-2 Asset Securitization Specialty Co., Ltd.	337,764	341,334	(3,570)	-	(3,570)	-	18,109	-
Woori Card 2018-1 Asset Securitization Specialty Co., Ltd.	300,079	300,079	-	-	-	-	1,030	-

(4) The new entity included in subsidiaries for the year ended December 31, 2019, is as follows:

Subsidiaries	Remark
Woori Card 2018-1 Asset Securitization Specialty Co., Ltd.	Newly established

2. SIGNIFICANT BASIS OF PREPARATION AND ACCOUNTING POLICIES:

(1) Basis of preparation

The Group's consolidated financial statements are prepared in accordance with K-IFRSs.

The significant accounting policies applied in the preparation of the consolidated financial statements as of and for the year ended December 31, 2019, are stated below, and the accounting policies applied are identical to the ones used in the preparation of previous-period's consolidated financial statements, except for the effects of adopting new standards or interpretations as explained below.

The consolidated financial statements are prepared at the end of each reporting period on the historical cost basis, except for certain non-current assets and financial assets that are either revalued or measured in fair value. Historical cost is generally measured at the fair value of the consideration given to acquire assets.

Fair value is the price that will be paid when the asset is sold or the liability is transferred in a normal transaction between market participants at the measurement date, whether the price is directly observable or whether it is valued using valuation techniques. In estimating the fair value of an asset or liability, the Group considers the nature of the asset or liability that the market participant considers in determining the cost of the asset or liability at the measurement date. Based on the share-based payment transactions included in the scope of K-IFRS 1102 'Share-Based Payment', the lease transactions included in the scope of the 'Lease' of K-IFRS 1017, the net realized value included in the scope of the 'Inventory Assets' of K-IFRS 1002 and the value in use included in the scope of the 'Impairment of Assets' of K-IFRS 1036, except for those measures that are partially similar to fair value, but are not fair value, such as the net realizable value of an asset or the use value of an asset impairment, and the use value of an asset impairment, in accordance with the principles described above will be determined.

1) The Group has newly adopted the following K-IFRSs that affected the Group's accounting policies

- Adoption of K-IFRS 1116 – *Lease*

The Group initially applied K-IFRS 1116 from January 1, 2019. Other accounting standards enacted from January 1, 2019, are not expected to have material impacts on the Group's consolidated financial statements. K- IFRS 1116 introduces an accounting model for the single lessee and as a result, the Group, as a lessee, recognizes right-of-use assets, which represent a lessee's right to use an underlying asset and lease liabilities, which represent an obligation to make lease payments. An accounting model for the lessor is similar to the previous accounting policy.

The Group recognized the cumulative effects due to the initial application of K-IFRS 1116 on January 1, 2019, which is the date of initial application. Therefore, the comparative financial information applies K-IFRS 1017 and the related interpretations as reported previously, and was not restated. The details of the changes to the accounting policy are described below.

i) Definition of a lease

Previously, the Group determined whether an arrangement is, or contains, a lease on the arrangement date by applying K-IFRS 2104, Determining whether an Arrangement contains a Lease. The Group currently determines whether a contract is, or contains, a lease, based on the new definition of the lease. According to K-IFRS 1116, a contract is, or contains, a lease if the right to control the use of an identified asset is transferred in exchange for the consideration received for a period of time.

On the date of initial application of K-IFRS 1116, the Group elected to apply a practical expedient, which does not require it to reassess whether the contract is a lease. The Group applied K-IFRS 1116 only to the contracts that are previously identified as a lease and did not reassess the contracts that are not identified as a lease in line with K-IFRS 1017 and K-IFRS 2104. Therefore, the definition of a lease under K-IFRS 1116 is only applicable to contracts that are entered into or modified after January 1, 2019.

For a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone prices of the lease and non-lease components.

The Group elected not to recognize right-to-use assets and lease liabilities for certain leases of low-value assets (less than 500 million won) and short-term leases (less than one year). The Group will recognize the related lease payments as expenses equally over the lease period.

ii) Lessee

The Group leases various assets, including structures in leased office and vehicles.

Previously, the Group classified its leases either as operating lease or as finance lease based on whether the lease substantially transfers the risk and reward of owning the underlying assets. According to K-IFRS 1116, the Group recognizes right-of-use assets and lease liabilities for most of its leases, which means most of its leases are presented in the consolidated statements of financial position.

For the right-of-use assets that do not satisfy the definition of an investment property, the Group presents those assets as the same item as the item that the corresponding underlying asset would have been presented for. Right- of-use assets that meet the definition of investment would be presented as investment properties.

The Group presents a lease liability as other financial liabilities in the consolidated statements of financial position.

For leases previously classified as operating leases applying K-IFRS 1017, the Group measures lease liabilities at the present value of the remaining lease payments using the Group's incremental borrowing rates as of January 1, 2019. However, the Group elected not to apply recognition, measurement and presentation requirements for leases of low-value assets. A right-of-use asset is measured using the following method. A right-of-use asset is measured as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

For leases previously classified as operating leases applying K-IFRS 1017, the Group applies the following practical expedient when applying K-IFRS 1116.

- Any initial direct cost is excluded from the estimation of right-of-use assets on the date of initial application.
- As an alternative to impairment review, K-IFRS 1037 'Provisions, Contingent Liabilities and Contingent Assets' is applied immediately prior to the date of initial application to determine whether the leases are onerous.
- A right-of-use asset and lease liabilities are not recognized to leases for which the lease term ends within 12 months.
- Hindsight is used when determining a lease term for contracts that contain an extension option or termination option.

IFRS Interpretations Committee published its interpretation of ‘Lease Period and Lease Improvement Useful Life’ as of December 16, 2019. The Interpretation Committee discussed the calculation method of renewable lease, cancelable lease, etc., and according to the interpretation, the Group shall identify factors to consider a wide range of economic disadvantages and calculate the lease period based on them. However, as the Group holds a large number of contracts and the conditions of the contract vary, sufficient time is required for analysis of the contract and accounting policy establishment. Therefore, the Group is planning to reflect the effects in the consolidated financial statements after the analysis of the effects of changes in accounting policies over the lease term is completed.

iii) Lessor

The Group provides vehicles as leases and classifies those leases as a financing lease. The accounting policy applied by the Group as a lessor does not differ from the one defined under K-IFRS 1017.

There is no need for the Group to make any adjustment for leases as a lessor as of the transition date. However, when the Group allocates the consideration in the contract to the lease and non-lease components, K-IFRS 1115, Revenue from Contracts with Customers, is applied.

iv) Impact on the consolidated financial statements

As of the transition to K-IFRS 1116, the Group additionally recognized the right-of-use assets and lease liabilities, and the impact is as follows (Unit: Korean won in millions):

	January 1, 2019
Right-of-use assets presented as premises and equipment	33,452
Lease liability	33,109

The Group recognized the right-of-use assets and lease liabilities amounted to ₩ 33,452 million and ₩ 33,109 million, respectively, as of the transition to K-IFRS 1116. The difference amounted to ₩343 million was transferred to discounted present value of lease deposit. There is no effect on retained earnings.

When measuring lease liabilities for the leases that were previously classified as operating leases, the Group used its incremental borrowing rate as of January 1, 2019, as follows. The applied weighted-average incremental borrowing rate is 2.41% (Unit: Korean won in millions):

	January 1, 2019
Operating leases as of December 31, 2018	35,211
- Exemption regulation for leases of low-value assets	(218)
- Exemption regulation for leases with less than 12 months remaining at the point of transition	(17)
Discounted amount using the incremental borrowing rate as of January 1, 2019	33,109
Lease liability recognized on January 1, 2019	33,109

- Adoption of K-IFRS 1109 *‘Financial Instruments*’ and K-IFRS 1107 ‘*Financial Instruments: Disclosure*’

The Group has adopted the amendments of K-IFRS 1109 and 1107 for the first time in the current year. The amendments mainly deal with the addition of temporary exceptions from applying specific hedge accounting requirements while the uncertainty arises from interest rate benchmark reform. The amendment requires that for the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform. When applying the prospective assessment, the amendment further requires that an entity shall assume that the hedged risk or the interest rate benchmark on which the hedged item or the hedging instrument is based is not altered as a result of the reform. Additionally, for a hedge of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the requirement that the risk component shall be separately identifiable only at the inception of the hedging relationship. Meanwhile, an entity shall prospectively cease applying the temporary exceptions to a hedged item at the earlier of (a) when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item and (b) when the hedging relationship that the hedged item is part of is discontinued.

The interest rates to which the hedging relationships are exposed are USD LIBOR. The impact of the amendments on the hedging relationships is described in Note 16.

- The following issued, revised standards are not expected to significantly affect the Group:
  - K-IFRS 1109 *Financial Instrument* (Revised)
  - K-IFRS 1019 *Employee Benefits* (Revised)
  - K-IFRS 1028 *Investment in Associates and Joint Ventures* (Revised)
  - K-IFRS 2123 *Uncertainty over Income Tax Treatments* (Issued)
  - Annual Improvements to K-IFRS 2015-2017 Cycle
    i) K-IFRS 1103
    ii) K-IFRS 1111
    iii) K-IFRS 1012
    iv) K-IFRS 1023

2) The details of K-IFRS that have been issued and published as of date of issue approval of consolidated financial statements, but have not yet reached the effective date, and which the Group has not applied earlier, are as follows:

- Amendments to the conceptual framework for financial reporting
- Amendments to K-IFRS 1103 *Business combinations*
- Amendments to K-IFRS 1001 *Presentation of Financial Statements* and K-IFRS 1008 *Changes in Accounting Estimates and Errors*

The above amendments are not considered to have any significant impact on the Group.

(2) Basis of consolidated financial statement presentation

The consolidated financial statements incorporate the financial statements of the parent and its subsidiaries (including structured companies) controlled by the parent (and its subsidiaries, which is the "Group"). Control is achieved where the Group 1) has the power over the investee; 2) is exposed, or has rights, to variable returns from its involvement with the investee; and 3) has the ability to use its power to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The relative size of the Group's holding of voting rights and dispersion of holdings of the othervote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements;
- Anyadditional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owner of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owner of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup transactions and, related assets and liabilities, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owner of the Parent Company.

When the Group loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non- controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for asif the Group had directly disposed of the relevant assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS 1109 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(3) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured as the sum of the acquisition-date fair values of the assets transferred by the Group in exchange for control of the acquiree, liabilities assumed by the Group for the former owners of the acquiree and the equity interests issued by the Group. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the condition for recognition under K-IFRS 1103 are recognized at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 *Income Taxes* and K-IFRS 1019 *Employee Benefits*, respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share- based payment arrangements of the Group entered into to replace share-based payment arrangements ofthe acquiree are measured in accordance with K-IFRS 1102 *Share-Based Payment* at the acquisition date; and
- Non-current assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105 *Non-Current* Assets *Held for Sale and Discontinued Operations* are measured at the lower of their previous carrying amounts or fair value, less costs to sell.

Any excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest (if any) in the acquiree over the net of identifiable assets and liabilities assumed of the acquiree at the acquisition date is recognized as goodwill, which is included in intangible assets.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognized immediately in net income as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non- controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement-period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement-period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement-period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration other than the above is remeasured at subsequent reporting dates, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured at fair value at the acquisition date (i.e., the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in net income (or other comprehensive income, if applicable). Amounts arising from changes in value of interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized, identical to the treatment assuming interests are sold directly.

(4) Investments in joint ventures and associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary or a joint venture. Significant influence is the power to participate in making decision on the financial and operating policy of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to net assets relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The net income of current period and the assets and liabilities of the joint ventures and associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with K-IFRS 1105, *Non- current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in the joint ventures and associates is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the net assets of the joint ventures and associates and any impairment. When the Group's share of losses of the joint ventures and associates exceeds the Group's interest in the associate, the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures and associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint ventures and associates recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized immediately in net income.

The requirements of K-IFRS 1028 *Investments in Associates and Joint Ventures* to determine whether there has been a loss event are applied to identify whether it is necessary to recognize any impairment loss with respect to the Group's investment in the joint ventures and associates. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 1036 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use or fair value, less costs to sell) with its carrying amount. Any impairment loss recognized is not allocated to any asset (including goodwill), which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

Upon a loss of significant influence over the joint ventures and associates, the Group discontinues the use of the equity method and measures at fair value of any investment that the Group retains in the former joint ventures and associates from the date when the Group loses significant influence. The fair value of the investment is regarded as its fair value on initial recognition as a financial asset in accordance with K-IFRS 1039 *Financial Instruments: Recognition and Measurement*. The Group recognized differences between the carrying amount and fair value in net income and it is included in determination of the gain or loss on disposal of joint ventures and associates. The Group accounts for all amounts recognized in other comprehensive income in relation to that joint ventures and associates on the same basis as would be required if the joint ventures and associates had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by an associate would be reclassified to net income on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to net income as a reclassification adjustment.

When the Group's ownership of interest in an associate or a joint venture decreases, but the Group continues to maintain significant influence over an associate or a joint venture, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that decrease in ownership interest if the gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. Meanwhile, if interest on associate or joint venture meets the definition of non- current asset held for sale, it is accounted for in accordance with K-IFRS 1105.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When a subsidiary transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(5) Investment in joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

When the Group operates as a joint operator, it recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the K-IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When the Group enters into a transaction with a joint operation in which it is a joint operator, such as a sale or contribution of assets, it is conducting the transaction with the other parties to the joint operation and, as such, the Group recognizes gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation.

When the Group enters into a transaction with a joint operation in which it is a joint operator, such as a purchase of assets, it does not recognize proportional share of profit or loss until the asset is sold to a third party.

(6) Revenue recognition

1) Revenues from contracts with customers

The Group recognizes revenue when it satisfies a performance obligation by transferring a promised good or service to a customer. When a performance obligation is satisfied, the Group shall recognize as a revenue as the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the Group expects it to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

The Group is recognizing revenue by major sources as shown below:

The fees and commission received on credit card consist mainly of merchant account fees and annual fees. The Group recognizes merchant account fees by multiplying agreed commission rate to the amount paid by using the credit card. The annual fees are for performance obligation satisfied over time and are recognized over agreed periods after the annual fees are paid in advance. The business activities relevant to these fees and commission received on credit card are substantially attributable to credit cards segment.

The service-related fees are recognized in accordance with the arrangements for providing services to the customers. Agreements are generally made by contract and service-related costs arise when services are provided. Prices are usually fixed and measurable.

2) Revenues from sources other than contracts with customers

i) Interest income

Interest income on financial assets measured at FVTOCI and financial assets at amortized costs are measured using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a debt instrument and allocating the interest income over the expected life of the asset. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial unamortized cost over the expected period, or shorter if appropriate. Future cash flows include commissions and cost of reward points (limited to the primary component of effective interest rate) and other premiums or discounts that are paid or received between the contractual parties when calculating the effective interest rate, but does not include expected credit losses. All contractual terms of a financial instrument are considered when estimating future cash flows.

For purchased or originated credit-impaired financial assets, interest revenue is recognized by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. Even if the financial asset is no longer impaired in the subsequent periods due to credit improvement, the basis of interest revenue calculation is not changed from amortized cost to unamortized cost of the financial assets.

ii) Loan origination fees and costs

The commission fees earned on loans, which is part of the effective interest of loans, are accounted for as deferred origination fees. Incremental costs related to the origination of loans are accounted for as deferred origination fees and are being added to or deducted to/from interest income on loans using effective interest rate method.

iii) Dividend income

Dividend income is recognized in profit or loss when the Group's right to receive payment is established.

(7) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as a lessor

The Group recognizes lease receivables at the present value of minimum lease payments of a finance lease and any unguaranteed residual value. After the commencement date of the lease, accounting is done to recognize interest income over each reporting period by computing periodic interest income on the Group's net investment.

Rental income from operating leases is recognized on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and expensed on a straight-line basis over the lease term. Operating lease assets are included within other asset category in other assets, and depreciated over their economic life.

2) The Group as a lessee

The Group recognizes the right-of-use asset and the lease liability at the commencement date of the lease except for short-term leases with a lease term less than 12 months and leases for which the underlying asset is of low value. The Group recognizes the right-of-use assets measured at cost and are subsequently measured at cost less accumulated depreciation and accumulated impairment losses or adjusted by remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, but if that cannot be readily determined, the Group uses its incremental borrowing rate. The Group generally uses the incremental borrowing rate.

The lease liability is subsequently increased by the interest expense recognized for the lease liability and decreased by reflecting the payment of the lease payments. The lease liability is remeasured if the future lease payments change depending on changes in the index (or a rate), changes in the expected amount to be paid under the residual value guarantee and changes in the assessment of whether the purchase or extension option is reasonably certain to be exercised or not to exercise the terminate option.

The Group applies its judgment when determining the lease term for some lease contracts that include the extension option. The assessment of whether the Group is reasonably certain to exercise the option significantly affects the lease term and therefore has a significant impact on the amount of lease liabilities and the right-of-use asset.

The Group has chosen a practical expedient that does not recognize the right-of-use asset and lease liabilities for short-term leases with a lease term less than 12 months and leases for which the underlying asset is of low value. (less than 5 million won). The Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

(8) Accounting for foreign currencies

The Group's consolidated financial statements are presented in Korean won, which is the functional currency of the Group.

A foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the exchange rate at the date of the transaction. At the end of each reporting period, (a) foreign currency monetary items shall be translated using the closing rate; (b) non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and (c) non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognized in profit or loss in the period in which they arise, except partial exceptions.

(9) Cash and cash equivalents

The Group is classifying cash on hand, demand deposits and interest-earning deposits with original maturities of up to three months on the acquisition date, and highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value as cash and cash equivalents.

(10) Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statements of financial position of the Group when it becomes a party to the contract. Financial assets and financial liabilities are measured initially at fair value. Transaction costs directly attributable to the acquisition of a financial asset or the issuance of a financial liability are initially recognized or deducted from the fair value of the financial asset or financial liability. Gains or losses on disposal of available-for-sale ("AFS") securities are recognized in profit or loss as incurred.

(11) Financial assets

A regular-way purchase or sale of financial assets is recognized or derecognized on the trade or settlement date. A regular-way purchase or sale is a purchase or sale of a financial asset under a contract whose term requires delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

On initial recognition, financial assets are classified into financial assets at FVTPL, financial assets at FVTOCI and financial assets at amortized cost.

1) Classification of financial assets

Debt instruments that satisfy the following conditions are subsequently measured at amortized cost:

- Financial assets are held under a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- Contractual cash flows from such financial assets are solely payments of principal and interest.

Debt instruments that satisfy the following conditions are subsequently measured at FVTOCI:

- Financial assets are held under a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Contractual cash flows from such financial assets are solely payments of principal and interest. All

other financial assets are subsequently measured at FVTPL.

Notwithstanding the foregoing, the Group may make the following irrevocable choice or designation at the time of initial recognition of a financial asset:

- If it meets certain requirements (see 1)-iii) below), the Group may choose to present subsequent changes in fair value of equity instruments in other comprehensive income.
- If designated as fair value accounting metrics, remove inconsistencies or significant write-down process for (see 1)-iv) below) financial assets measured at amortized cost and other comprehensive income to reduce debt to meet the requirements of the valuation of financial assets.
  - It is possible to remove or significantly reduce recognition or measurement mismatch that may otherwise have occurred if not for its designation as financial asset at FVTPL (see 1)-iii) below).
- The financial asset that forms part of the Group's financial instrument group (a group composed of a combination of financial asset or liability) is measured at fair value and is being evaluated for its performance, and such information is provided internally (see 1)-iv) below).

i) The amortized cost and the effective interest method

Effective interest method is the method that is used in the calculation of the amortized cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period. The effective interest rate inherent in a financial instrument except for purchased or originated credit-impaired financial assets is the rate that exactly discounts the estimated cash flows associated with the financial instrument through the expected life of the instrument or, where appropriate, a shorter period to the gross carrying amount at initial recognition. The computation includes all fees and points paid or received that are an integral part of the effective interest rate, directly attributable transaction costs and all other premiums or discounts. The financial asset is a purchased or originated credit-impaired financial asset, in which case, the Group shall also consider the initial expected credit losses that were considered when calculating the original credit-adjusted effective interest rate.

Amortized cost of a financial asset is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. Gross carrying amount of a financial asset is the amortized cost of a financial asset, before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments subsequently measured at amortized cost, plus other comprehensive income - at fair value. For financial assets other than those whose credit quality is impaired, the interest income is calculated by applying the effective interest rate to the total carrying amount of the financial asset (except for financial assets that are subsequently impaired). For subsequent impaired financial assets, interest income is recognized using the effective interest rate on the amortized cost basis of the financial asset. If the credit risk of an impaired financial instrument improves in subsequent reporting periods and the financial asset is no longer impaired, interest income is recognized by applying the effective interest rate to the total carrying amount of the financial asset.

In the case of a financial asset whose credit quality is impaired at the time of acquisition, interest income is recognized from the date of initial recognition by applying the credit-adjustment effective interest rate to the amortized cost of the financial asset. If the financial asset is no longer impaired as a result of a subsequent improvement in the credit risk of the financial asset, the calculation of interest income is not changed based on the gross carrying amount.

ii) Other comprehensive income - debt instruments classified as fair value measurement

At initial recognition, debt instruments are measured at fair value, plus transaction costs. Subsequent changes in the carrying amount of the debt instrument as a result of foreign exchange translation gains and losses, impairment losses (reversals) and interest income resulting from the effective interest rate method are recognized in profit or loss. The amount recognized in profit or loss is the same as the amount that would have been recognized in profit or loss if the debt instrument had been measured at amortized cost. Changes in the carrying amount of all debt instruments are recognized in other comprehensive income and accumulated as accumulated gain or loss. The cumulative gain or loss that was recognized in other comprehensive income when the liability is disposed of is reclassified to profit or loss.

iii) Other comprehensive income – equity instruments classified as fair value measurement

The Group can make irrevocable choices (by product) to designate investments in equity instruments as other comprehensive income - fair value items at initial recognition. If the equity instrument is a short-term trading instrument or the contingent consideration recognized by the acquirer in a business combination, other comprehensive income - designated as a fair value measurement - is not permitted.

Financial assets that are short-term trading items are as follows:

- Acquire financial assets to exercise short-term trades.
- There is evidence that the objective of the management type is to acquire short-term profits as part of a portfolio of specific financial instruments that are jointly managed at the time of initial recognition.
- Derivatives (except financial guarantee contract derivatives and derivatives that are effective and designed to

avoid risk).

Other comprehensive income - investments in equity instruments that correspond to the fair value items are recognized, plus transaction costs, on initial recognition at fair value; subsequently measured at fair value; and any gains or losses arising from changes in fair value are recognized in other comprehensive income and accumulated as accumulated gain or loss. When an equity instrument is disposed of, the cumulative gain or loss is not reclassified to profit or loss and is replaced with retained earnings.

Such dividends are recognized in profit or loss in accordance with K-IFRS 1109, unless dividends on investments in equity instruments clearly represent a recovery of investment costs.

iv) Profit or loss – assets at fair value measurement

Financial assets, which are not qualified for measurement requirements as amortized cost or other comprehensive income, are measured at FVTPL.

- Initial recognition for equity instruments other than short-term trading items and contingent consideration in business combinations - Unless otherwise designated as fair value items, the equity instruments are classified as at FVTPL (see 1)-iii) above).
- Requirement of amortization cost measurement items or other comprehensive income - Debt items that do not satisfy the requirements of fair value measurement items (see 1)-i) and 1)-ii) above) are classified as profit or loss - fair value measurement items. In addition, if the designation as a fair value measurement meets the criteria for measuring or recognizing an asset or liability in accordance with different criteria, it is necessary to eliminate the inconsistency in measurement or recognition (‘accounting mismatch’). The requirements of the statutory sponsor metric or other comprehensive income, a debt instrument that meets the requirements for a fair value measurement item, can be designated as a profit or loss - fair value measurement at initial recognition.

Financial assets at FVTPL are measured at fair value at the end of each reporting period and recognized in profit or loss as a result of changes in fair value, except for those designated as hedging relationships.

2) Gain or loss on foreign currency translation

The carrying amount of a financial asset designated as a foreign currency is determined in foreign currencies and is translated at the spot exchange rate at the end of the reporting period.

- For financial assets measured at amortized cost, except for the portion designated as hedging relationship, exchange differences are recognized in profit or loss in the ‘foreign exchange gains and losses’ line item.
- Other comprehensive income - for debt instruments measured at fair value (except for those designated as hedging instruments), the exchange rate difference between the amortized cost of the debt instrument and the foreign currency gain or loss is recognized in profit or loss. Exchange rate differences, except for these, are recognized in other comprehensive income in the accumulated gain / loss items.
- Gains and losses arising from changes in the fair value of financial assets measured at fair value (except for those designated as hedging instruments) are recognized in profit or loss in the “foreign exchange gains and losses” line.
- Other comprehensive income -for equity instruments measured at fair value, the gain or loss is recognized in other comprehensive income.

3) Impairment of financial assets

The Group recognizes impairment losses, other comprehensive income and expected credit losses on investments in debt instruments measured at fair value, lease receivables, trade receivables and contractual assets and financial guarantee contracts. The amount of expected credit losses is updated to reflect changes in credit risk since the initial recognition of the financial instrument at each reporting period.

If the credit risk is significantly increased after initial recognition of the financial asset, the expected credit loss is recognized for the entire period. However, if the credit risk of a financial asset does not increase significantly after initial recognition, the Group measures the expected credit loss of the instrument as an amount equivalent to the 12-month expected credit loss.

Total expected credit losses represent expected credit losses due to any default event that may occur during the expected life of the instrument. Conversely, a 12-month expected credit loss is a fraction of the expected total credit loss due to a default event of a financial instrument that may occur within 12 months after the end of the reporting period.

i) Significant increase in credit risk

When assessing whether the credit risk of a financial instrument has significantly increased after initial recognition, the risk of default on a financial instrument at the end of the reporting period is compared to the risk of default. We consider both quantitative and qualitative information that can be reasonably supported and supported without undue cost or effort in order to make this assessment.

The Group uses the information below to determine whether a significant increase in credit risk is significant and generally assumes a significant increase in credit risk if one or more of the following are true:

- Delinquency of more than 30 days.
- As of settlement date, the credit rating has fallen more than a certain amount of time compared to the initial recognition.
- Asset quality precaution.
- High-risk assets.

Notwithstanding the foregoing, the Group believes that the credit risk of the instrument has not increased significantly when it determines that the instrument has a lower credit risk at the end of the reporting period: (1) the risk of default on financial instruments is low; (2) the borrower has a strong ability to fulfill the contractual cash flow obligation in the short term; and (3) in the long run, due to adverse economic and business environment changes, the Group determines that a financial instrument has a lower credit risk if the borrower's ability to meet contractual cash flow payment obligations may be weakened, but not necessarily weakened.

ii) Financial assets with impaired credit

The Group generally considers the credit to be impaired if one or more of the following are true:

- Overdue 90 days or more
- Credit rating is below a certain level as of settlement date
- Asset quality – doubtful accounts of collection and expected loss
- Default and others

Damage related to all financial assets, such as doubtful or estimated loss on collection of asset quality or default, is recognized in profit or loss and the carrying amount of the asset. However, in the case of an investment in a debt instrument measured at fair value, it is recognized in other comprehensive income and accumulated in the cumulative gain or loss and does not reduce the carrying amount of the financial asset in the consolidated statements of financial position.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual right to the cash flows from the asset is expired, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another company. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

When a financial asset measured at amortized cost is eliminated, the difference between the carrying amount of the asset and the consideration received or receivable is recognized in profit or loss. Other comprehensive income - when an investment in a debt instrument measured at fair value is eliminated, the cumulative gain or loss previously recognized is reclassified to profit or loss. On the other hand, investments in equity instruments designated as other comprehensive income - fair value at initial recognition are not reclassified to profit or loss, but are replaced with retained earnings.

(12) Financial liabilities and equity instruments

1) Financial liabilities and equity classification

Debt instruments and equity instruments are classified as financial liabilities or equity depending on the reality of the contract and the definition of financial liabilities and equity instruments.

2) Equity instruments

Equity instruments are all contracts that represent the residual interest after deducting all liabilities from the entity's assets. Equity securities issued by the Group are recognized at their fair value, less costs to sell directly.

When an entity repurchases its own equity instruments, these equity instruments are deducted directly from equity. Gains or losses on the purchase or sale of, or the issue or cancellation of, an equity instrument are not recognized in profit or loss.

3) Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest rate method or at FVTPL - at fair value. However, financial liabilities and financial guarantee contracts that arise when the transfer of a financial asset does not meet the elimination requirements or when a continuing involvement approach is applied is measured in accordance with the specific accounting policies described below.

4) Financial liabilities at FVTPL

Financial liabilities are classified as financial liabilities at FVTPL if they are either conditional cost, trading securities or initially designated at FVTPL.

Financial liabilities at FVTPL are measured at fair value and gains or losses arising from changes in fair value other than those designated as hedging instruments are recognized in profit or loss.

If the financial liability is designated as a fair value measurement, the change in the fair value of the financial liability due to changes in the credit risk of the liability is recognized as other comprehensive income if recognizing the effect of changes in credit risk in other comprehensive income does not raise or expand discordance of accounting. Remained changes in the fair value of the liability are recognized in profit or loss. Changes in fair value due to credit risk of financial liabilities recognized in other comprehensive income are not subsequently reclassified to profit or loss and are replaced with retained earnings when the financial liability is removed. Gains or losses on financial guarantee contracts designated as FVTPL are recognized in profit or loss.

5) Measurement of amortization cost

Financial liabilities are measured at amortized cost using the effective interest rate method, unless they are the conditional cost of the acquirer in a business combination, are classified as held for trading or are designated as at FVTPL when initially recognized.

6) Financial guarantee liability

A financial guarantee contract is a contract where the issuer must pay a certain amount of money in order to compensate losses suffered by the creditor when debtor defaults on a debt instrument in accordance with original or modified contractual terms.

A financial guarantee is initially measured at fair value and is subsequently measured at the higher of the amounts below unless it is designated to be measured at FVTPL or when it arises from disposal of an asset.

- Loss allowance in accordance with K-IFRS 1109 (refer to 'Financial assets' above)
- Initial book value less accumulated profit measured in accordance with K-IFRS 1115

7) Foreign exchange gains and losses

Financial liabilities denominated in foreign currencies are measured at amortized cost at the end of the reporting period. Foreign currency translation gains and losses are calculated based on the amortized cost of the financial instruments. Foreign exchange gains and losses on financial liabilities, except for those designated as hedging relationships, are recognized in profit or loss in the consolidated statements of financial position. Foreign currency translation gains and losses are recognized in other comprehensive income and are accumulated as separate items in equity when designated as a hedging instrument to hedge foreign currency risk.

Fair values of financial liabilities denominated in foreign currencies are determined in foreign currency and are translated at the spot exchange rate at the end of the reporting period. For financial liabilities measured at fair value, the foreign currency translation component is a part of fair value gains and losses and is recognized in profit or loss (except for those designated as hedging relationships).

8) Removal of financial liabilities

The Group eliminates financial liabilities only when the Group's obligations are fulfilled, canceled or expired. The difference between the carrying amount of the financial liability and the consideration paid or receivable is recognized in profit or loss.

(13) Property, plant and equipment

Property, plant and equipment are stated at cost and are subsequently carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment is the expenditure incurred directly in connection with the purchase or construction of the asset, including the costs and expenses directly related to bringing it to the place and condition necessary for the operation of the asset in an intended manner by management, and includes the initial estimated costs to be recovered.

Subsequent costs are included in the carrying amount of the tangible asset or, where appropriate, a separate asset, provided it is probable that the future economic benefits of the asset will flow to the Group and the cost can be reliably measured. Costs incurred in connection with ordinary repair and maintenance are recognized in profit or loss as incurred.

Depreciation of property, plant and equipment is not carried out and depreciation of property other than land is calculated by the straight-line method over the following estimated useful lives for the asset, less the cost or revalued amount:

	Useful life
Buildings used for business purpose	40 years
Structures in leased office	5 years
Properties for business purpose	5 years

The depreciation method, residual value and useful lives of the tangible assets are reviewed at the end of each reporting period, and changes in value are accounted for as changes in accounting estimates. In addition, if there is an indication that the asset is impaired and the carrying amount of the asset exceeds the estimated recoverable amount, the carrying amount of the asset is reduced to its recoverable amount.

(14) Intangible assets

The Group records the cost of an intangible asset at its acquisition cost or acquisition cost plus any incidental costs. After initial recognition, the cost of the intangible asset is recorded as the carrying amount, less accumulated depreciation and accumulated impairment losses, if any. Intangible assets of the Group are amortized using the straight-line method over the following estimated useful lives. The useful life and amortization method of intangible assets are reviewed at the end of each reporting period, and changes in value are accounted for as changes in accounting estimates.

	Useful life
Industrial property rights	10 years
Development costs	5 years
Other intangible assets	5 years

In addition, if there is an indication that the asset is impaired and the carrying amount of the intangible asset exceeds the estimated recoverable amount, the carrying amount of the asset is reduced to its recoverable amount.

(15) Impairment of non-financial assets

Intangible assets with indefinite useful lives, such as goodwill and membership rights, are tested for impairment annually, irrespective of the indication of impairment, and the impairment test is performed on the remaining assets. At the end of each reporting period, the Group reviews whether there is an indication of impairment and, if there is any indication of impairment, the impairment test is performed to estimate the recoverable amount.
The recoverable amount is measured at the higher of its fair value, less costs to sell or its value in use. When the recoverable amount is less than the carrying amount, the carrying amount is reduced to recoverable amount and the amount is recognized in profit or loss.

(16) Derivatives

The Group enters into derivative contracts, such as interest rate swaps and currency swaps, to manage interest rate risk and foreign currency risk.

Derivatives are measured at fair value at the date of initial recognition and are subsequently remeasured to fair value at the end of each reporting period. Unrealized gains and losses arising from changes in the fair value of derivatives are recognized immediately in profit or loss unless the derivative is designated as a hedging instrument or effective at hedging. If the derivative is designated as a hedging instrument and effective for hedging, the timing of recognition of the hedging instrument is dependent on the nature of the hedging relationship. Derivative instruments whose fair value is positive (+) are recognized as financial assets and derivatives with negative values are recognized as financial liabilities.

1) Embedded derivatives

Embedded derivatives are components of a hybrid financial instrument that includes a non-derivative host contract. It has an effect of modifying part of cash flows of the hybrid financial instrument similar to an independent derivative.

Embedded derivatives that are part of a hybrid contract of which the host contract is a financial asset within the scope of K-IFRS 1109 are not separated. The classification is done by considering the hybrid contract as a whole, and subsequent measurement is either at amortized cost or fair value.

If embedded derivatives are part of a hybrid contract of which the host contract is not a financial asset within the scope of K-IFRS 1109 (e.g., financial liability), then these are treated as separate derivatives if embedded derivatives meet the definition of a derivative, characteristics and risk of the embedded derivatives are not closely related to that of host contract and if the host contract is not measured at FVTPL.

In the previous year, all embedded derivatives that were part of a hybrid contract were treated as separate derivatives if embedded derivatives meet the definition of a derivative, characteristics and risk of the embedded derivatives are not closely related to that of host contract and if the host contract is not measured at FVTPL.

2) Hedge accounting

The Group is applying K-IFRS 1109 in regard to hedge accounting. The Group designates certain derivatives as hedging instrument against fair value changes in relation to the interest rate risk and foreign currency translation risk.

The Group documents the relationship between hedging instruments and hedged items at the commencement of hedging in accordance with their purpose and strategy. Also, the Group documents at the commencement and subsequent dates whether the hedging instrument effectively counters the changes in fair value of hedged items. A hedging instrument is effective only when it meets all of the following criteria:

- When there is an economic relationship between the hedged items and hedging instruments.
- When the effect of credit risk is not stronger than the change in value due to the economic relationship between the hedged items and hedging instruments.
- When the hedge ratio is equal to the proportion and the number of hedged items to those of the hedging

instruments.

When a hedging relationship no longer meets the hedging effectiveness requirements related to hedge ratio, but when the purpose of risk management on designated hedging relationship is still maintained, the hedge ratio of the hedging relationship is adjusted so that hedging relationship may meet the requirements again (hedge ratio readjustment).

The Group has designated derivatives as hedging instrument except for the portion on foreign currency basis spread. The fair value change due to foreign currency basis spread is recognized in other comprehensive income and is accumulated in equity. If the hedged item is related to transactions, the accumulated other comprehensive income is reclassified to profit or loss when the hedged item affects the profit or loss. However, when non- monetary items are subsequently recognized due to hedged items, the accumulated equity is removed from the equity directly, and is included in the initial book value of the recognized non-monetary items. Such transfers do not affect other comprehensive income. But if part or all of accumulated equity is not expected to be recovered in the future periods, the amount not expected to be recovered is immediately reclassified to profit or loss. If the hedged item is time-related, then the foreign currency basis spread on the day the derivative is designated as a hedging instrument that is related to the hedged item is reclassified to profit or loss over the term of the hedge.

3) Fair value hedge

Gain or loss arising from valid hedging instrument is recognized in profit or loss. However, when the hedging instrument mitigates risks on equity instruments designated as financial assets at FVTOCI, related gain or loss is recognized in other comprehensive income.

The book value of hedged items that are not measured in fair value is adjusted by the changes in fair value arising from the hedged risk, with resulting gain or loss reflected in net income. In case of debt instruments measured at FVTOCI, book value is an amount that is already adjusted to fair value and thus gain or loss arising from the hedged risk is recognized in profit or loss instead of other comprehensive income without adjustments in book value. When the hedged item is equity instrument measured at FVTOCI, the gain or loss arising from hedged risk is retained at other comprehensive income in order to match the gain or loss with hedging instruments.

Hedge accounting ceases to apply only when hedging relationship (or part of it) does not meet the requirements of hedge accounting (even after hedging relationship readjustment, if applicable). This treatment holds in case of lapse, disposal, expiry and exercise of hedging instruments, and this cease of treatment applies prospectively.
The fair value adjustments made to book value of hedged item due to hedged risk are amortized from the date of discontinuance of hedge accounting and is recognized in profit or loss.

4) Cash flow hedges

The Group recognizes the effective portion of changes in the fair value of derivatives and other valid hedging instruments that are designated and qualified as cash flow hedges in other comprehensive income to the extent of cumulative fair value changes of the hedged item from the starting date of hedge accounting and it is cumulated in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognized immediately in net income.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to net income when the hedged item affects net income. However, when non-monetary assets or liabilities are subsequently recognized due to expected transactions involving hedged items, the valuation gain or loss accumulated in the equity as other comprehensive income is removed from the equity and included in the initial book value of the recognized non-monetary assets or liabilities. Such transfers do not affect other comprehensive income. Also, if the cash flow hedge reserve is loss and accumulated other comprehensive income is a loss and part or all of the losses are not expected to be recovered in the future periods, the said amount is immediately reclassified to profit or loss.

Hedge accounting ceases to apply only when hedging relationship (or part of it) does not meet the requirements of hedge accounting (even after hedging relationship readjustment, if applicable). This treatment holds in case of lapse, disposal, expiry and exercise of hedging instruments, and this cease of treatment applies prospectively. At the point of cessation of cash flow hedge, the valuation gain or loss recognized as accumulated other comprehensive income continues to be recognized as equity, and is reclassified to profit or loss when the expected transaction is ultimately recognized as profit or loss. However, when transactions are no longer expected to occur, the valuation gain or loss of hedging instrument recognized as accumulated other comprehensive income is immediately reclassified to profit or loss.

(17) Assets held for sale (disposal group)

The Group classifies non-current assets (or disposal groups) as held for sale if the carrying amount of the non-current assets is likely to be recovered and sold mainly through sale transactions. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of fair value or carrying amount after deducting the sale cost.

(18) Provisions

Provisions are recognized if it has present or contractual obligations as a result of the past event, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation is reliably estimated.

The amount recognized as a provision is the best estimate at the end of each reporting period for the expenditure required to settle the present obligation, taking into account the unavoidable risks and uncertainties of the related events and circumstances. If the effect of time value of money is material, the provision is measured at the present value of the expenditure expected to be required to settle the obligation. The discount rate is the pretax rate reflecting the current market's assessment of the inherent risk of debt and the time value of money.
Provision for impairment of long-term liabilities is recognized in profit or loss as financial cost.

If it is expected that a third party will repay part or all of the expenditure required to settle the obligation, and if the obligation is substantially guaranteed and the amount can be reliably measured, it is recognized as assets.

The balance of provisions is reviewed at the end of each reporting period and adjusted to reflect the best estimate at the end of the reporting period. If the likelihood of an outflow of resources embodying economic benefits to fulfill an obligation is no longer high, the related provision is reversed.

The Group recognizes provisions for payment guarantees, unused limits and litigations. In addition, if the depreciable assets that are used as sales branches are to be restored after expiration of the contract period based on the lease contract, the present value of expenses estimated to be necessary to recover the depreciable assets is recognized as a provision for restoration.

(19) Retirement benefit costs and termination benefits

The contribution to the defined contribution retirement benefit plan is recognized as an expense when employees provide services that are eligible for payment.

In the case of defined benefit pension plans, defined benefit obligation is calculated by an independent actuarial corporation using actuarial valuation at the end of each reporting period using the projected unit credit method. The remeasurement component of net defined benefit liability, which consists of changes in actuarial gains and losses on plan assets (excluding amounts included in net interest on net defined benefit liabilities (assets)) and changes in the nature of the asset, are recognized in other comprehensive income and are immediately reflected in the consolidated statements of financial position. Reclassification factors recognized in the consolidated statements of comprehensive income are recognized in other comprehensive income and are not reclassified to profit or loss in the succeeding period. Past service costs are recognized as an expense at the earlier of an amendment or reduction in the system or when the Group recognizes an associated restructuring or dismissal benefit. The Group recognizes the settlement of the defined benefit plans at the time settlement occurs.
Net interest is calculated by applying discount rate to net defined benefit obligation (asset). The components of defined benefit costs consist of service costs (current and past service costs, and gains and losses on downsizing and settlement), net interest expenses (revenues) and remeasuring factors.

Operating cost and net interest expense (or net interest income) are recognized as operating expense and remeasurement factors are recognized in other comprehensive income. The profit or loss from the reduction of the system is treated as past service cost.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is recognized as an asset limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Liabilities for termination benefits are recognized at the earlier of either 1) the date when the Group is no longer able to cancel its proposal for termination benefits or 2) the date when the Group has recognized the cost of restructuring that accompanies the payment of termination benefits.

(20) Income tax

Income tax expense consists of current and deferred taxes.

1) Current corporate tax

Current tax liability is calculated based on taxable income for the year. The difference between taxable income and net income arises from items of profit or loss that are added to or deducted from other taxable periods and non-taxable or non-taxable items. Liabilities associated with the Group's current tax are calculated based on tax rates and tax laws enacted or substantively enacted by the end of the reporting period.

If it is uncertain that the tax will be determined, but there is a strong likelihood of a cash outflow to the taxing authority in the future, a provision is recognized. Provisions are measured at the best estimate of the amount expected to be paid. These assessments are based on the judgment of the tax experts of the Parent Group in the past experience and, in certain cases, are based on the judgment of an independent tax professional.

2) Deferred income tax

Deferred income tax is the tax amount payable or settled in respect of temporary differences, which are the differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the tax bases used in the calculation of taxable income, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences when it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. However, if the temporary difference arises from the first recognition of goodwill or the transaction in which the asset or liability is recognized for the first time is not a business combination transaction and does not affect accounting profit and taxable income (tax loss) at the time of the transaction, deferred tax liabilities are not recognized. Deferred tax assets are not recognized if the temporary difference arises from transactions in which the asset or the liability is initially recognized in a transaction that is not a business combination transaction and that does not affect accounting profit and taxable income (tax loss carryforwards) at the transaction date.

Except where the Group can control the timing of the extinguishment of the temporary difference and it is probable that the temporary difference will not cease to exist in the foreseeable future, the additions to the subsidiary, the investment in the associate, the interest in the joint venture and deferred tax liabilities are recognized for temporary differences. Deferred tax assets arising from temporary differences arising from these investments are highly probable to be taxable at the rate of income that would have the appropriate effect on the temporary difference and recognized only if high.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and the carrying amount of the deferred tax asset is reduced when it is no longer probable that sufficient taxable income or taxable profit will be available to recover all or part of the deferred tax asset.

Deferred income tax is measured using tax rates that are expected to be applied to the period in which the liability is settled or the asset is realized based on tax rates and tax laws enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of the related assets and liabilities at the end of the reporting period.

Deferred income tax assets and liabilities are recognized when the Group has the legally enforceable right to offset current tax assets and current tax liabilities and the taxable entity is the same or is subject to taxation with respect to the taxable entity and is intended to settle the liability at the same time as it realizes the asset each fiscal period, if it intends to settle the current tax liability and assets on a net basis, deferred tax liability is settled or a deferred tax asset is recovered only offset.

3) Recognition of current and deferred taxes

Current and deferred taxes are recognized in profit or loss as revenues or expenses, except when arising from transactions, events or business combinations that are recognized directly in equity or other comprehensive income in the same periods. At the time of business combination, the income tax effect is included in the accounting for the business combination.

(21) Earnings per share ("EPS")

Basic EPS is a calculation of net income per each common stock. It is calculated by dividing net income attributable to ordinary shareholders by the weighted-average number of common shares outstanding. Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of all dilutive potential common shares.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS:

In applying the Group's accounting policies described in Note 2, management must make judgments that have a significant effect on the amounts recognized in the consolidated financial statements (except for those related to the estimates), assets that are not readily identifiable from other sources and assumptions about the carrying amounts of liabilities. Estimates and related assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. The amendments to the accounting estimates are recognized in the period in which the amendment is made if such amendment affects only that period and in the period in which amendments are made and in the future periods if they affect both the current and future periods.

(1) Significant judgments made in the process of applying accounting policies

The following items are important judgments separate from those related to the estimation (see Note 3 (2)) and are those that have the most significant effect on the amounts recognized in the consolidated financial statements:

1) Significant increase in credit risk

As explained in Note 2, if the credit risk of a financial instrument does not increase significantly after initial recognition, the allowance for loss is measured as an amount equivalent to the 12-month expected credit loss. If the credit risk of the instrument has increased significantly after recognition, or for the impaired asset, the allowance is measured as the amount corresponding to the expected credit loss for the whole period. K-IFRS 1109 does not define what constitutes a significant increase in credit risk.

2) Valuation of business models

The classification and measurement of financial assets are based on contractual cash flow characteristics and business models. Business models are determined at a level that reflects how the Group manages a set of financial assets together to achieve a specific business purpose. These assessments include judgments that reflect all relevant evidence, including the manner in which the performance of the asset is assessed and measured, the risks that affect the performance of the asset and how it is managed. The Group recognizes amortization costs or other comprehensive income - if the financial asset measured at fair value is derecognized before maturity and if the reason for such sale is consistent with the objective of the business model for managing the financial asset the Group is observing. An audit is an integral part of the Group's continued assessment of whether the business model for the remaining financial asset is appropriate and, if not appropriate, a change in the business model and a corresponding change in the classification of the financial asset.

3) Fair value of financial instruments

Financial assets at FVTPL and FVTOCI are recognized in the consolidated financial statements at fair value. All derivatives are measured at fair value. Valuation techniques are required in order to determine fair values of financial instruments where observable market prices do not exist. Financial instruments that are not actively traded and have low price transparency will have less objective fair value and require broad judgment in liquidity, concentration, uncertainty in market factors and assumption in price determination and other risks.

4) Income taxes

Income tax expense is recognized in current and deferred income taxes based on the best estimate of future taxable income as a result of operating activities until the end of the reporting period. However, actual future tax expense may not be consistent with recognized asset and liability. Such difference may affect current and deferred income tax assets and liabilities at the time when final tax effect is determined. Deferred income tax assets and liabilities are recognized only if there is a high probability that future taxable income will arise. In this case, the Group evaluates future taxable income based on the related factors, such as operating profit forecasted based on past financial performance. The Group reviews the carrying amount of deferred tax assets at the end of each reporting period and adjusts deferred income tax assets within the scope of taxable income sufficient to use the temporary difference to be deducted if the probability of occurrence of future taxable income changes.

(2) Main sources of estimated uncertainty

Major sources of major assumptions and other estimated uncertainties at the end of the reporting period that have significant risk factors and that could cause material changes to the carrying amounts of assets and liabilities in the next financial year are as follows.

1) Fair value of financial instruments

As described in Note 9, the Group uses valuation techniques that include input variables that are not based on observable market data to estimate the fair value of a particular type of financial instrument. Note 9 provides details of key assumptions used in determining the fair value of financial instruments and sensitivity analysis of these assumptions. Management believes that the valuation techniques and assumptions used to determine the fair value of financial instruments are appropriate.

2) Calculation of allowance for losses

When measuring expected credit losses, the Group uses reasonable and supportive forward-looking information, which is based on future changes in different economic variables and how they affect each other. Default loss is an estimate of the amount of loss in the event of default. This is based on the difference between the contractual cash flows and the cash flows that the creditor expects to receive and takes into account the cash flows from the collateral and credit enhancement.

The probability of default is an important input variable to measure expected credit losses. The probability of default is an estimate of the likelihood of a default event, including past information and assumptions and expectations for the future.

3) Defined benefit retirement plans

The Group operates a defined benefit retirement plan. Defined benefit obligations are calculated by performing an actuarial valuation at the end of each reporting period. In order to apply such actuarial valuation methods, it is necessary to estimate assumptions about discount rates, expected wage growth rates and mortality rates. The retirement benefit plan includes significant uncertainties in these estimates due to its long-term nature.

4. RISK MANAGEMENT:

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

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

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

(1) Credit risk

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

1) Credit risk management

The Group considers the probability of failure in performing the obligation of its counterparties, credit exposure to the counterparty and the related default risk and the rate of default loss. The Group uses the credit rating model to assess the possibility of the counterparty's default risk.

2) Maximum exposure to credit risk

In order to manage credit risk limit, the Group monitors total exposures and large exposures. The maximum exposures to credit risk are as follows (Korean won in millions):

		December 31, 2019	December 31, 2018
Balance	Financial assets at amortized cost		
	Due from banks	20,003	20,003
	Loans	236,258	268,371
	Credit card assets	8,129,304	7,788,006
	Credit sales	5,126,469	5,057,762
	Cash advances	555,947	577,202
	Card loan	2,441,999	2,149,285
	Other credit card assets	4,889	3,757
	Capital financing receivables	760,016	889,807
	Finance lease receivables	235,011	161,317
	Other financial assets at amortized cost	266,379	298,153
	Subtotal	9,646,971	9,425,657
	Derivative assets	9,366	263
	Subtotal	9,656,337	9,425,920
Off balance	Guarantees	-	-
	Unused credit limits	33,120,042	32,174,569
	Subtotal	33,120,042	32,174,569
	Total	42,776,379	41,600,489

3) The credit risk of financial assets at amortized cost

The credit risk of financial assets at amortized cost by loan conditions are as follows (Unit: Korean won in millions):

	December 31, 2019							
	Stage 1		Stage 2					
	Above appropriate credit rating (*1)	Less than a limited credit rating (*2)	Above appropriate credit rating (*1)	Less than a limited credit rating (*2)	Stage 3	Total	Loss allowance	Total, net
Due from banks	20,003	-	-	-	-	20,003	-	20,003
Loans	160,804	66,549	770	18,256	8,358	254,737	18,479	236,258
Credit card assets	6,936,486	352,742	551,417	334,417	228,365	8,403,427	274,123	8,129,304
Credit sales	4,570,847	255,897	179,769	166,602	28,710	5,201,825	75,356	5,126,469
Cash advances	446,267	58,128	23,706	46,191	11,030	585,322	29,375	555,947
Card loan	1,914,482	38,717	347,942	121,624	188,625	2,611,390	169,391	2,441,999
Other credit card assets	4,890	-	-	-	-	4,890	1	4,889
Capital financing receivables	649,925	59,563	4,630	50,905	2,065	767,088	7,072	760,016
Finance lease receivables	200,017	11,512	3,790	22,223	697	238,239	3,228	235,011
Other financial assets at amortized cost	258,928	2,078	3,715	3,234	331	268,286	1,907	266,379
Total	8,226,163	492,444	564,322	429,035	239,816	9,951,780	304,809	9,646,971

	December 31, 2018							
	Stage 1		Stage 2					
	Above appropriate credit rating (*1)	Less than a limited credit rating (*2)	Above appropriate credit rating (*1)	Less than a limited credit rating (*2)	Stage 3	Total	Loss allowance	Total, net
Due from banks	20,003	-	-	-	-	20,003	-	20,003
Loans	167,038	84,432	1,304	26,514	8,778	288,066	19,695	268,371
Credit card assets	6,501,251	354,676	601,892	380,841	208,959	8,047,619	259,613	7,788,006
Credit sales	4,481,943	267,880	171,317	182,565	28,527	5,132,232	74,470	5,057,762
Cash advances	452,362	54,046	31,903	57,115	11,599	607,025	29,823	577,202
Card loan	1,563,188	32,750	398,672	141,161	168,833	2,304,604	155,319	2,149,285
Other credit card assets	3,758	-	-	-	-	3,758	1	3,757
Capital financing receivables	774,120	87,045	11,572	22,555	1,871	897,163	7,356	889,807
Finance lease receivables	151,840	7,746	306	3,204	493	163,589	2,272	161,317
Other financial assets at amortized cost	289,907	2,061	4,173	3,613	505	300,259	2,106	298,153
Total	7,904,159	535,960	619,247	436,727	220,606	9,716,699	291,042	9,425,657

(*1) Credit grades of corporates are AAA–BBB and retails are 1–6. (*2)
Credit grades of corporates are BBB–C and retails are 7–10.

4) Credit risk of unused credit limits

The credit risk of unused credit limits is as follows (Unit: Korean won in millions):

	December 31, 2019					
	Stage 1		Stage 2			
	Above appropriate credit rating (*1)	Less than a limited credit rating (*2)	Above appropriate credit rating (*1)	Less than a limited credit rating (*2)	Stage 3	Total
Unused credit limits (*3)	32,063,783	613,556	117,925	319,860	4,918	33,120,042

	December 31, 2018					
	Stage 1		Stage 2			
	Above appropriate credit rating (*1)	Less than a limited credit rating (*2)	Above appropriate credit rating (*1)	Less than a limited credit rating (*2)	Stage 3	Total
Unused credit limits (*3)	31,009,372	702,150	125,273	335,989	1,785	32,174,569

(*1) Credit grades of corporates are AAA–BBB and retails are 1–6. (*2) Credit grades of corporates are BBB–C and retails are 7–10.

(*3) Provisions for unused credit limit as of December 31, 2019 and 2018, are ₩51,631 million and ₩49,144 million, respectively.

5) Industrial distribution of credit risk

Details of the industrial distribution of credit risk of financial assets are as follows (Unit: Korean won in millions):

		December 31, 2019						
		Service	Manufacturing	Bank and insurance	Construction	Consumers	Others	Total
Balance	Due from banks	-	-	20,003	-	-	-	20,003
	Loans	894	-	-	-	235,364	-	236,258
	Credit card assets	504,222	209,830	74,032	71,597	7,203,902	65,721	8,129,304
	Credit sales	504,162	209,819	74,015	71,597	4,206,044	60,832	5,126,469
	Cash advances	60	11	17	-	555,859	-	555,947
	Card loan	-	-	-	-	2,441,999	-	2,441,999
	Other credit card assets	-	-	-	-	-	4,889	4,889
	Capital financing receivables	85,690	38,424	105	14,942	611,823	9,032	760,016
	Finance lease receivables	31,589	22,509	1,356	10,507	167,440	1,610	235,011
	Other financial assets at amortized cost	369	140	17,639	54	30,655	217,522	266,379
	Subtotal	622,764	270,903	113,135	97,100	8,249,184	293,885	9,646,971
	Derivative assets	-	-	9,366	-	-	-	9,366
	Subtotal	622,764	270,903	122,501	97,100	8,249,184	293,885	9,656,337
Off balance	Unused credit limits	2,084,319	733,945	305,921	200,143	29,560,620	235,094	33,120,042
	Total	2,707,083	1,004,848	428,422	297,243	37,809,804	528,979	42,776,379

		December 31, 2018						
		Service	Manufacturing	Bank and insurance	Construction	Consumers	Others	Total
Balance	Due from banks	-	-	20,003	-	-	-	20,003
	Loans	1,289	-	-	-	266,878	204	268,371
	Credit card assets	505,316	239,461	51,151	75,502	6,844,126	72,450	7,788,006
	Credit sales	505,279	239,442	51,105	75,502	4,117,746	68,688	5,057,762
	Cash advances	37	19	46	-	577,095	5	577,202
	Card loan	-	-	-	-	2,149,285	-	2,149,285
	Other credit card assets	-	-	-	-	-	3,757	3,757
	Capital financing receivables	86,409	43,645	88	16,921	734,923	7,821	889,807
	Finance lease receivables	19,076	14,130	935	6,451	116,243	4,482	161,317
	Other financial assets at amortized cost	292	120	8,528	44	29,071	260,098	298,153
	Subtotal	612,382	297,356	80,705	98,918	7,991,241	345,055	9,425,657
	Derivative assets	-	-	263	-	-	-	263
	Subtotal	612,382	297,356	80,968	98,918	7,991,241	345,055	9,425,920
Off balance	Unused credit limits	2,249,265	800,361	327,677	213,105	28,280,214	303,947	32,174,569
	Total	2,861,647	1,097,717	408,645	312,023	36,271,455	649,002	41,600,489

6) Regional distribution of credit risk

Details of the regional distribution of credit risk of financial assets are as follows (Unit: Korean won in millions):

		December 31, 2019		
		Korea	Myanmar	Total
Balance	Financial assets at amortized cost:			
	Due from banks	20,003	-	20,003
	Loans	212,540	23,718	236,258
	Credit card assets	8,129,304	-	8,129,304
	Credit sales	5,126,469	-	5,126,469
	Cash advances	555,947	-	555,947
	Card loan	2,441,999	-	2,441,999
	Other credit card assets	4,889	-	4,889
	Capital financing receivables	760,016	-	760,016
	Finance lease receivables	235,011	-	235,011
	Other financial assets at amortized cost	266,180	199	266,379
	Subtotal	9,623,054	23,917	9,646,971
	Derivative assets	9,366	-	9,366
	Subtotal	9,632,420	23,917	9,656,337
Off balance	Unused credit limits	33,120,042	-	33,120,042
	Subtotal	33,120,042	-	33,120,042
	Total	42,752,462	23,917	42,776,379

		December 31, 2018		
		Korea	Myanmar	Total
Balance	Financial assets at amortized cost:			
	Due from banks	20,003	-	20,003
	Loans	258,484	9,887	268,371
	Credit card assets	7,788,006	-	7,788,006
	Credit sales	5,057,762	-	5,057,762
	Cash advances	577,202	-	577,202
	Card loan	2,149,285	-	2,149,285
	Other credit card assets	3,757	-	3,757
	Capital financing receivables	889,807	-	889,807
	Finance lease receivables	161,317	-	161,317
	Other financial assets at amortized cost	298,149	4	298,153
	Subtotal	9,415,766	9,891	9,425,657
	Derivative assets	263	-	263
	Subtotal	9,416,029	9,891	9,425,920
Off balance	Unused credit limits	32,174,569	-	32,174,569
	Subtotal	32,174,569	-	32,174,569
	Total	41,590,598	9,891	41,600,489

(2) Market risk

Market risk refers to the risk that the Group may lose its trading position due to changes in market factors, such as interest rates, stock prices and exchange rates. Market risk arises from changes in interest rates and exchange rates of unsettled financial instruments and all contracts are subject to certain levels of volatility, depending on interest rates, credit spreads, exchange rates and the prices of equity securities.

1) Management of market risk

Management of market risk is a risk by element. This refers to the process of measuring and determining the sources of risk, and making and applying decisions to avoid, burden or mitigate risks by evaluating the appropriateness of the market risk that is borne by the Group. The Risk Management Committee allocates risk capital to market risk. Risk management is measured by a department, granted by risk factors, VaR (Value at Risk, the maximum loss projections) limits, loss limits, etc., on a daily basis, and reports regularly to the Risk Management Committee.

2) Interest rate VaR

Interest rate VaR is a statistical estimate of the maximum potential decline in the value of net assets due to the unfavorable changes in the interest rate, using the VaR methodology, a key measure of market risk, in interest rate risk assessment.

The interest rate VaR disclosed below is estimated at a 99% confidence level with 2% interest rate shock using the Bank for International Settlements (BIS) standards framework. This methodology employs revised duration proxy by maturity provided by the BIS. The assumption used to calculate the VaR is the expected range of interest rate fluctuation affected by interest rate shock at 200 bp parallel movement of benchmark rate curve.
Although the VaR is generally used as a key measure of market risk, certain limitations to this methodology exist.

VaR measures the potential loss in value of a risky asset or portfolio based on historical market movements over a defined period for a given confidence interval. However, it is not always possible in practice that the historical market movements reflect all future conditions and circumstances, which results in variance in the timing and size of actual loss due to the changes in assumptions used in calculation.

The results of interest rate VaR calculated under normal distribution of interest rate risk are as follows (Korean won in millions):

	December 31, 2019	December 31, 2018
Interest rate VaR	(85,010)	(57,475)

3) Other risks of market risk

i) Interest rate risk
The Group measures and manages the risk of fluctuations in interest rates arising from maturity of assets and liabilities and discrepancies in interest rate conditions. The principal and interest cash flows of assets and liabilities as of the date of interest modification are as follows:

	December 31, 2019						
	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	More than 5 years	Total
Financial assets:							
Financial assets at amortized cost	5,796,751	906,382	505,806	502,163	1,832,614	288,798	9,832,514
Financial liabilities:							
Borrowings	4,631	-	-	-	-	-	4,631
Debentures	597,014	562,164	554,317	458,212	5,250,699	-	7,422,406
Others	347	385	539	665	-	-	1,936
	601,992	562,549	554,856	458,877	5,250,699	-	7,428,973

	December 31, 2018						
	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	More than 5 years	Total
Financial assets:							
Financial assets at amortized cost	5,827,337	909,674	467,406	465,999	1,743,131	390,716	9,804,263
Financial liabilities:							
Borrowings	4,485	-	-	-	-	-	4,485
Debentures	410,034	444,135	507,273	740,524	5,280,304	-	7,382,270
Others	94	185	224	364	-	-	867
	414,613	444,320	507,497	740,888	5,280,304	-	7,387,622

Repricing date is defined as the date on which interest rates of operational funds and procuring funds can be readjusted before the expiration date. Analysis based on interest expirations is used to analyze assets and liabilities that cause interest margins and interest costs.

ii) Currency risk

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

Financial instruments in foreign currencies exposed to currency risk are as follows (Unit: USD in thousands and MMK in millions and Korean won in millions):

		December 31, 2019						
		USD		SGD		MMK		Total
		Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent	Korean won equivalent
Exposure		(483,974)	(560,344)	(204,000)	(175,144)	33,866,489	26,497	(708,991)
Assets	Cash and cash equivalents	1	2	-	-	5,979,236	4,678	4,680
	Financial assets at amortized cost	36	42	-	-	30,914,045	24,187	24,229
Liabilities	Borrowings	(480,000)	(555,744)	(204,000)	(175,144)	-	-	(730,888)
	Debentures	(4,000)	(4,631)	-	-	-	-	(4,631)
	Other financial liabilities	(11)	(13)	-	-	(3,026,792)	(2,368)	(2,381)
Off-balance derivative exposure amount		480,000	555,744	204,000	175,144	-	-	730,888
Net foreign currency exposure		(3,974)	(4,600)	-	-	33,866,489	26,497	21,897

		December 31, 2018						
		USD		SGD		MMK		Total
		Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent	Korean won equivalent
Exposure		(504,000)	(563,535)	(204,000)	(166,929)	15,163,220	10,969	(719,495)
Assets	Cash and cash equivalents	-	-	-	-	2,764,227	1,999	1,999
	Financial assets at amortized cost	-	-	-	-	13,804,940	9,987	9,987
Liabilities	Borrowings	(500,000)	(559,050)	(204,000)	(166,929)	-	-	(725,979)
	Debentures	(4,000)	(4,485)	-	-	-	-	(4,485)
	Other financial liabilities	-	-	-	-	(1,405,947)	(1,017)	(1,017)

Off-balance derivative	500,000	559,050	204,000	166,929	-	-	725,979

exposure amount							Net
foreign currency exposure	(4,000)	(4,485)	-	-	15,163,220	10,969	6,484

(3) Liquidity risk

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

1) Liquidity risk management

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

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

2) Maturity analysis of non-derivative financial liabilities

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

	December 31, 2019						
	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	More than 5 years	Total
Financial liabilities:							
Borrowings	4,631	-	-	-	-	-	4,631
Debentures	597,014	562,164	554,317	458,212	5,250,699	-	7,422,406
Lease liabilities	2,367	1,986	2,238	2,966	19,514		29,071
Other liabilities	835,610	385	539	665	53,809		891,008
Total	1,439,622	564,535	557,094	461,843	5,324,022	-	8,347,116

	December 31, 2019						
	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	More than 5 years	Total
Financial liabilities:							
Borrowings	4,485	-	-	-	-	-	4,485
Debentures	410,034	444,135	507,273	740,524	5,280,304	-	7,382,270
Other liabilities	972,834	161	194	317	40,545	-	1,014,051
Total	1,387,353	444,296	507,467	740,841	5,320,849	-	8,400,806

Maturity analysis above includes both principal and interest cash flows by contractual maturities.

3) Maturity analysis of derivative financial liabilities

Derivative financial instruments for hedging purposes are cash inflows that were estimated by offsetting cash outflows.

The Group's maturity analysis of non-derivative financial liabilities and cash flows of principals and interests by remaining contractual maturities is as follows (Unit: Korean won in millions):

	December 31, 2019						
	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	More than 5 years	Total
Net basis cash flow	(122)	(211)	(241)	(253)	(838)	-	(1,665)
Total basis cash outflow	(60,908)	(699)	(699)	(691)	(238,302)	-	(301,299)

Total basis cash inflow	59,225	1,263	1,252	1,210	239,259	-	302,209
Total	(1,805)	353	312	266	119	-	(755)

	December 31, 2018						
	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 5 years	More than 5 years	Total
Net basis cash flow	(28)	(53)	(57)	(58)	(478)	-	(674)
Total basis cash outflow	(3,118)	(60,164)	(123,439)	(183,004)	(404,349)	-	(774,074)
Total basis cash inflow	5,040	61,329	116,594	171,259	398,752	-	752,974
Total	1,894	1,112	(6,902)	(11,803)	(6,075)	-	(21,774)

4) Maturity analysis of off-consolidated statements of financial position accounts

There are contractual maturities for financial guarantees, such as guarantees for debentures issued or loans, loan commitments and other guarantees; however, under the terms of the guarantees and loan commitments, funds should be paid upon demand from the counterparty. Details of off-balance accounts are as follows (Unit: Korean Won in millions):

	December 31, 2019	December 31, 2018
Guarantees (credit card restricted for purchase)	-	-
Loan commitments (unused credit limits)	33,120,042	32,174,569

(4) Capital management

The Financial Services Commission establishes laws and regulations in order to enhance the safety and soundness of specialized credit financial companies and avoid potential financial incidents. According to the standard, specialized credit financial companies shall maintain at least 8% of adjusted capital ratio and report the adjusted capital ratio to the Financial Service Commission on a quarterly basis.

The adjusted capital ratio is calculated as adjusted net capital divided by adjusted total assets. The adjusted total assets and adjusted net capital are based upon the consolidated statements of financial position and adjusted by the regulation that considered standards of the BIS and the nature of specialized financing service.

Adjusted total assets consists of total asset, excluding the following items: cash, short-term deposits not pledged as collateral, government bonds with maturity of three months or less from the acquisition date and deductible items. In case of specialized credit financial companies that have adopted K-IFRSs, reserve for bad debts and cumulative unrealized gain on valuation of loans are deducted from the adjusted total assets.

Adjusted net capital comprises the sum of basic and supplementary capital (limited by the extent of the basic capital), less deductible items. Supplementary capital is composed of allowance for credit losses in respect of credits classified as normal or precautionary (i.e., allowance for loans from customers who have never been delinquent, including provision for unused loan commitments and reserve for bad debts) and unsecured subordinate debts. In case of unsecured subordinate debts, there is a prohibition on early repayment of the debts. The amount of the unsecured subordinate debts is up to 100% of the basic capital if the maturity of the debt is longer than 10 years. If the maturity of the debt is longer than five years, the amount is limited to 50% of the basic capital. If the debt will mature in five years, 20% of the debt is annually deducted from the debt. In this case, the amount less than 1.5% of total assets, excluding provisions for unused loan commitments is added to the supplementary capital.

As of December 31, 2019 and 2018, the Group met the regulatory requirement for the adjusted capital ratio.

5. CASH AND CASH EQUIVALENTS:

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

	December 31, 2019	December 31, 2018
Cash	15,271	-
Foreign currencies	13	-
Demand deposits	100,917	362,202

Total	116,201	362,202

6. FINANCIAL ASSETS AT FVTOCI:

(1) Details of financial assets at FVTOCI are as follows (Unit: Korean won in millions):

	December 31, 2019	December 31, 2018
Equity securities:		
Unlisted equity securities	84,626	87,544
Other equity investments	460	209
Total	85,086	87,753

(2) Details of unrealized profit and loss in financial assets at FVTOCI are as follows (Unit: Korean won in millions):

	December 31, 2019		
	Acquisition cost	Unrealized gain (*)	Fair value
Unlisted equity securities	42,483	42,143	84,626
Other equity investments	460	-	460
Total	42,943	42,143	85,086

	December 31, 2018		
	Acquisition cost	Unrealized gain (*)	Fair value
Unlisted equity securities	42,483	45,061	87,544
Other equity investments	209	-	209
Total	42,692	45,061	87,753

(*) These amounts do not include the deferred income tax, which is directly deducted from equity.

7. FINANCIAL ASSETS AT AMORTIZED COST:

(1) Details of financial assets at amortized cost and loans and receivables are as follows (Unit: Korean won in millions):

	December 31, 2019	December 31, 2018
Due from banks	20,003	20,003
Loans	236,258	268,371
Credit card assets	8,129,304	7,788,006
Capital financing receivables	760,016	889,807
Finance lease receivables	235,011	161,317
Other financial assets at amortized cost	266,379	298,153
Total	9,646,971	9,425,657

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

	December 31, 2019	December 31, 2018
Due from banks in local currency:		
Due from deposit banks	20,003	20,003

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

	Counterparty	December 31, 2019	Reason for restriction
Due from banks in local currency:			
Due from deposit banks	Woori Bank	3	Guarantee deposit for checking accounts

	Counterparty	December 31, 2018	Reason for restriction
Due from banks in local currency:			
Due from deposit banks	Woori Bank	3	Guarantee deposit for checking accounts

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

	December 31, 2019	December 31, 2018
Loans	254,541	287,602
Deferred loan origination costs and fees	196	464
Provision for credit losses	(18,479)	(19,695)
Total	236,258	268,371

(5) Details of credit card assets are as follows (Unit: Korean won in millions):

	December 31, 2019	December 31, 2018
Credit card assets:		
Credit sales proceeds:		
Proceeds from general credit sales	3,099,450	2,925,244
Proceeds from installment sales	1,969,156	2,088,840
Proceeds from international credit sales	139,158	128,052
Cash advances	585,322	607,025
Card loan	2,446,848	2,157,120
Refinancing	164,542	147,485
Other credit card assets	4,890	3,757
Provisions for credit losses	(274,123)	(259,613)
Present value of discount	(5,939)	(9,904)
Total	8,129,304	7,788,006

(6) Details of capital financing receivables are as follows (Unit: Korean won in millions):

	December 31, 2019	December 31, 2018
Capital financing receivables	752,960	881,014
Deferred loan origination costs and fees	14,128	16,149
Provision for credit losses	(7,072)	(7,356)
Total	760,016	889,807

(7) Details of finance lease receivables are as follows (Unit: Korean won in millions):

	December 31, 2019	December 31, 2018
Finance lease receivables (*)	227,067	155,681
Deferred loan origination costs and fees	11,172	7,908
Provision for credit losses	(3,228)	(2,272)
Total	235,011	161,317

(*) Canceled finance lease receivables amounted to ₩9 million as of December 31, 2019, is included.

(8) Details of other financial assets at amortized cost are as follows (Unit: Korean won in millions):

	December 31, 2019	December 31, 2018
Other financial assets at amortized cost :		
Receivables	196,919	238,549
Accrued income	49,379	38,722
Guarantee deposits	21,615	22,726
Others	528	605
Provisions for credit losses	(1,907)	(2,106)
Present value discount	(155)	(343)
Total	266,379	298,153

(9) Changes in the provisions for credit losses are as follows (Unit: Korean won in millions):

	For the year ended December 31, 2019							
		Replaced with						
	Beginning balance	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	Net allowance for credit losses	Recovery from write-off receivables	Charge-off	Ending balance
Loans:								
12-month expected credit loss	7,301	806	(583)	(82)	5,853	-	(6,534)	6,761
Lifetime expected credit losses	5,840	(801)	601	(111)	5,004	-	(5,635)	4,898
Credit-impaired financial assets	6,554	(5)	(18)	193	3,340	3,279	(6,523)	6,820
Credit card assets:								
12-month expected credit loss	64,726	15,712	(6,031)	(538)	98,787	-	(98,109)	74,547
Lifetime expected credit losses	78,128	(15,231)	6,317	(1,043)	96,434	-	(93,073)	71,532
Credit-impaired financial assets	116,759	(481)	(286)	1,581	40,343	60,366	(90,238)	128,044
Capital financing receivables:								
12-month expected credit loss	4,073	437	(632)	(22)	(218)	-	(888)	2,750
Lifetime expected credit losses	1,696	(415)	674	(41)	1,027	-	(464)	2,477
Credit-impaired financial assets	1,587	(22)	(42)	63	610	223	(574)	1,845
Finance lease receivables:								
12-month expected credit loss	1,501	67	(367)	(8)	(274)	-	(27)	892
Lifetime expected credit losses	317	(67)	402	(12)	1,094	-	(14)	1,720
Credit-impaired financial assets	454	-	(35)	20	426	3	(252)	616
Other financial assets:								
12-month expected credit loss	677	62	(44)	(4)	14	-	-	705
Lifetime expected credit losses	996	(62)	45	(6)	(36)	-	-	937
Credit-impaired financial assets	433	-	(1)	10	(68)	-	(109)	265
Total	291,042	-	-	-	252,336	63,871	(302,440)	304,809

	For the year ended December 31, 2018							
		Replaced with						
	Beginning balance	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	Net allowance for credit losses	Recovery from write-off receivables	Charge-off	Ending balance
Loans:								
12-month expected credit loss	7,467	973	(770)	(164)	10,953	-	(11,158)	7,301
Lifetime expected credit losses	8,445	(971)	815	(272)	7,930	-	(10,108)	5,839
Credit-impaired financial assets	3,965	(2)	(45)	436	6,766	1,334	(5,899)	6,555
Credit card assets:								
12-month expected credit loss	57,126	13,846	(5,871)	(530)	82,030	-	(81,875)	64,726
Lifetime expected credit losses	71,463	(13,737)	6,194	(1,427)	98,257	-	(82,622)	78,128
Credit-impaired financial assets	102,858	(109)	(323)	1,957	33,203	57,556	(78,383)	116,759
Capital financing receivables:								
12-month expected credit loss	2,312	286	(147)	(20)	1,967	-	(325)	4,073
Lifetime expected credit losses	663	(226)	217	(10)	1,203	-	(151)	1,696
Credit-impaired financial assets	584	(60)	(70)	30	1,214	149	(260)	1,587
Finance lease receivables:								
12-month expected credit loss	827	68	(23)	(63)	692	-	-	1,501
Lifetime expected credit losses	158	(68)	23	(37)	241	-	-	317
Credit-impaired financial assets	111	-	-	100	245	-	(2)	454
Other financial assets:								
12-month expected credit loss	624	55	(42)	(5)	105	-	(60)	677
Lifetime expected credit losses	855	(55)	43	(8)	250	-	(89)	996
Credit-impaired financial assets	635	-	(1)	13	(175)	-	(39)	433
Total	258,093	-	-	-	244,881	59,039	(270,971)	291,042

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

	For the year ended December 31, 2019						
		Replaced with					
	Beginning balance	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	Net increase (decrease)	Charge-off	Ending balance
Loans:							
12-month expected credit loss	251,470	5,446	(13,864)	(2,321)	(6,832)	(6,546)	227,353
Lifetime expected credit losses	27,818	(5,440)	13,885	(532)	(11,070)	(5,635)	19,026
Credit-impaired financial assets	8,778	(6)	(21)	2,853	3,277	(6,523)	8,358
Credit card assets:							
12-month expected credit loss	6,855,927	258,674	(307,101)	(26,567)	606,405	(98,109)	7,289,229
Lifetime expected credit losses	982,734	(258,166)	307,450	(11,639)	(41,474)	(93,073)	885,832
Credit-impaired financial assets	208,958	(508)	(349)	38,206	72,297	(90,238)	228,366
Capital financing receivables:							
12-month expected credit loss	861,165	6,773	(34,876)	(1,367)	(121,321)	(886)	709,488
Lifetime expected credit losses	34,127	(6,746)	34,930	(405)	(5,907)	(464)	55,535
Credit-impaired financial assets	1,871	(27)	(54)	1,772	(923)	(574)	2,065
Finance lease receivables:							
12-month expected credit loss	159,586	1,066	(11,730)	(713)	63,347	(27)	211,529
Lifetime expected credit losses	3,510	(1,066)	11,776	(130)	11,937	(14)	26,013
Credit-impaired financial assets	493	-	(46)	843	(341)	(252)	697
Other financial assets:							
12-month expected credit loss	291,968	1,503	(1,678)	(149)	(30,637)	-	261,007
Lifetime expected credit losses	7,785	(1,503)	1,680	(73)	(940)	-	6,949
Credit-impaired financial assets	506	-	(2)	222	(287)	(109)	330
Total	9,696,696	-	-	-	537,531	(302,450)	9,931,777

	For the year ended December 31, 2018						
		Replaced with					
	Beginning balance	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	Net increase (decrease)	Charge-off	Ending balance
Loans:							
12-month expected credit loss	234,591	5,529	(17,231)	(3,459)	43,204	(11,164)	251,470
Lifetime expected credit losses	36,130	(5,527)	17,284	(1,389)	(8,603)	(10,077)	27,818
Credit-impaired financial assets	5,122	(2)	(53)	4,848	4,781	(5,918)	8,778
Credit card assets:							
12-month expected credit loss	5,717,260	221,984	(287,622)	(22,584)	1,308,764	(81,875)	6,855,927
Lifetime expected credit losses	935,266	(221,841)	288,026	(13,136)	77,041	(82,622)	982,734
Credit-impaired financial assets	177,983	(143)	(404)	35,720	74,185	(78,383)	208,958
Capital financing receivables:							
12-month expected credit loss	546,748	3,972	(10,624)	(1,410)	322,804	(325)	861,165
Lifetime expected credit losses	10,202	(3,889)	10,717	(118)	17,366	(151)	34,127
Credit-impaired financial assets	727	(83)	(93)	1,528	52	(260)	1,871
Finance lease receivables:							
12-month expected credit loss	59,016	822	(1,274)	(311)	101,333	-	159,586
Lifetime expected credit losses	1,780	(822)	1,274	(241)	1,519	-	3,510
Credit-impaired financial assets	114	-	-	552	(171)	(2)	493
Other financial assets:							
12-month expected credit loss	242,817	1,347	(1,648)	(279)	49,731	-	291,968
Lifetime expected credit losses	7,615	(1,347)	1,649	(97)	(35)	-	7,785
Credit-impaired financial assets	692	-	(1)	376	(373)	(188)	506
Total	7,976,063	-	-	-	1,991,598	(270,965)	9,696,696

(11) Changes in deferred loan origination costs are as follows (Unit: Korean won in millions):

	For the year ended December 31, 2019			
	Beginning balance	Increase	Decrease	Ending balance
Deferred loan origination costs	24,521	18,821	(17,846)	25,496

	For the year ended December 31, 2018			
	Beginning balance	Increase	Decrease	Ending balance
Deferred loan origination costs	12,717	23,060	(11,256)	24,521

8. LEASES:

(1) Present values of finance lease receivables and minimum lease payment are as follows (Unit: Korean won in millions):

	December 31, 2019		December 31, 2018	
	Gross investment	Present value of minimum lease payment	Gross investment	Present value of minimum lease payment
Within one year	8,611	8,332	3,086	2,968
One year to five years	248,553	218,726	174,645	152,713
Total	257,164	227,058	177,731	155,681

(2) Details of finance lease receivables are as follows (Unit: Korean won in millions):

	December 31, 2019	December 31, 2018
Net investment in a lease	227,058	155,681
Financial lease expenses	11,172	7,908
Provisions for credit losses	(3,228)	(2,272)
Canceled finance lease receivables	9	-
Total	235,011	161,317

(3) Unearned interest income on gross investment in the finance lease are as follows (Unit: Korean won in millions):

	December 31, 2019	December 31, 2018
Unearned interest income	30,106	22,050

9. THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES:

The Group classifies and discloses fair value of the financial instruments into the following three-level hierarchy:

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

(1) Fair value hierarchy of financial assets and liabilities measured at fair value is as follows (Unit: Korean won in millions):

	December 31, 2019			
	Fair value	Level 1	Level 2	Level 3
Financial assets:				
Financial assets at FVTOCI	85,086	-	-	85,086
Derivative assets	9,366	-	9,366	-
	94,452	-	9,366	85,086
Financial liabilities:				
Derivative liabilities	6,839	-	6,839	-

	December 31, 2018			
	Fair value	Level 1	Level 2	Level 3
Financial assets:				
Financial assets at FVTOCI	87,753	-	-	87,753
Derivative assets	263	-	263	-
	88,016	-	2,63	87,753
Financial liabilities:				
Derivative liabilities	33,754	-	33,754	-

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

	Fair value measurement technique	Input variables
Financial assets at FVTOCI:	Discounted cash flow model, free cash flow to equity model, comparable companies valuation method, dividend discount model and risk-adjustment discount model - estimate the fair value using one or more of the valuation methods judged to be appropriate considering the nature of the valuation object in the net asset valuation method.	Risk-free market rate of return, market risk premium, corporate beta and others
Derivative:	Determining the fair value of derivatives, such as interest rate swaps, currency swaps and others based on input variables observable in the market, is based on the valuation techniques generally used by market participants.	Risk-free market rate of return, forward rate, exchange rate and others

Measurement techniques of the financial assets and financial liabilities of Level 3 that are recorded at fair value and significant unobservable inputs are as follows:

	Fair value measurement technique	Input variable	Range
Financial assets at FVTOCI	External appraisal value and others	Expected growth rate and others	0%–1%

Fair value of financial assets and liabilities classified into Level 3 uses external evaluation or value that is independently appraised by the Group. Adequacy of non-observable inputs used in measuring fair value is reviewed at all times.

(2) Changes in financial assets and liabilities classified into Level 3 are as follows (Unit: Korean won in millions):

	December 31, 2019					
	Beginning balance	Net income	Other comprehensive income	Acquisition	Disposals	Ending balance
Financial assets:						
Financial assets at FVTOCI:	87,753	-	(2,918)	251	-	85,086

	December 31, 2018					
	Beginning balance	Net income	Other comprehensive income	Acquisition	Disposals	Ending balance
Financial assets:						
Financial assets at FVTOCI:	87,633	-	(58)	178	-	87,753

(3) The results of the sensitivity analysis of changes in unobservable inputs in financial assets measured at fair value classified into Level 3 are as follows:

The sensitivity analysis of the financial instruments has been performed by classifying the favorable and unfavorable changes based on how changes in unobservable assumptions have effects on the fluctuations of financial instrument value. When the fair value of a financial instrument is affected by more than one unobservable assumption, the table below reflects the most favorable or the most unfavorable changes that result from varying the assumptions individually. There are some instruments, such as stocks and contribution that fair value changes are recognized as other comprehensive income of Level 3 financial instruments, which should be done through sensitivity analysis.

The sensitivity analysis to disclose the effect of reasonably possible alternative assumptions on the fair value of a Level 3 financial instruments is as follows (Unit: Korean won in millions):

	December 31, 2019				
	Carrying amount of the assets subject to the sensitivity analysis (*)	Net income		Other comprehensive income (loss)	
		Favorable	Unfavorable	Favorable	Unfavorable
Financial assets:					
Financial assets at FVTOCI	85,086	-	-	6,833	(2,582)

	December 31, 2018				
	Carrying amount of the assets subject to the sensitivity analysis (*)	Net income		Other comprehensive income (loss)	
		Favorable	Unfavorable	Favorable	Unfavorable
Financial assets:					
Financial assets at FVTOCI	87,753	-	-	9,281	(2,949)

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

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

	December 31, 2019		December 31, 2018	
	Fair value	Carrying value	Fair value	Carrying value
Financial assets:				
Financial assets at amortized cost	9,892,140	9,646,971	9,647,423	9,425,657
Financial liabilities:				
Borrowings (*)	4,631	4,631	4,485	4,485
Debentures	7,158,911	7,075,968	7,036,408	7,039,929
Other financial liabilities (*)	914,186	915,988	1,012,194	1,014,051

(*) Financial liabilities that are carrying value considered to provide the best estimate of fair value are included.

The financial assets and liabilities discussed above are classified as Level 2.

Financial instruments are measured at fair value using a quoted market price in active markets. If there is no active market for a financial instrument, the Group measures fair value of the financial instruments using valuation techniques. If there is no active market for a financial instrument, fair value measurement techniques and input variable for each type of financial instruments that are recorded at amortized cost are as follows:

	Fair value measurement technique	Input variables
Financial assets at amortized cost	The fair value is measured by discounting the cash flows with use of market interest rates applied to the loans, which are similar to the expected cash flow.	Risk-free market rate of return, credit spread and prepayment ratio
Debentures	The fair value is measured by discounting the projected cash flows of debentures by applying the market discount rate that is reflecting credit rating of the Company.	Risk-free market rate and credit spread
Other financial liabilities	The fair value is measured by discounting the projected cash flows of other financial liabilities by applying the market discount rate that is reflecting credit rating of the similar financial instruments.	Risk-free market rate and credit spread

10. PREMISES AND EQUIPMENT:

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

	December 31, 2019				
	Land	Building	Properties for business use	Structures in leased office	Total
Premises and equipment (owned)	2,487	544	24,369	1,436	28,836
Right-of-use assets	-	-	1,889	26,143	28,032

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

	December 31, 2019				
	Land	Building	Properties for business use	Structures in leased office	Total
Acquisition cost	2,487	953	45,539	9,794	58,773
Accumulated depreciation	-	(409)	(21,170)	(8,358)	(29,937)
Net carrying value	2,487	544	24,369	1,436	28,836

	December 31, 2018				
	Land	Building	Properties for business use	Structures in leased office	Total
Acquisition cost	2,487	953	31,817	10,614	45,871
Accumulated depreciation	-	(358)	(14,600)	(8,347)	(23,305)
Net carrying value	2,487	595	17,217	2,267	22,566

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

	For the year ended December 31, 2019				
	Land	Building	Properties for business use	Structures in leased office	Total
Beginning balance	2,487	595	17,217	2,267	22,566
Acquisitions	-	-	14,246	336	14,582
Depreciation	-	(51)	(7,156)	(875)	(8,082)
Others	-	-	62	(292)	(230)
Ending balance	2,487	544	24,369	1,436	28,836

	For the year ended December 31, 2018				
	Land	Building	Properties for business use	Structures in leased office	Total
Beginning balance	2,487	646	14,038	3,022	20,193
Acquisitions	-	-	7,857	729	8,586
Disposal	-	-	(1)	(23)	(24)
Depreciation	-	(51)	(4,765)	(1,341)	(6,157)
Others	-	-	88	(120)	(32)
Ending balance	2,487	595	17,217	2,267	22,566

(4) Details of right-of-use assets are as follows (Unit: Korean won in millions):

	December 31, 2019		
	Properties for business use	Structures in leased office	Total
Acquisition cost	2,784	33,756	36,540
Accumulated depreciation	(895)	(7,613)	(8,508)
Net carrying value	1,889	26,143	28,032

(5) Details of changes in right-of-use assets are as follows (Unit: Korean won in millions):

	For the year ended December 31, 2019		
	Properties for business use	Structures in leased office	Total
Beginning balance	1,638	31,814	33,452
New contract	1,342	3,072	4,414
Cancellation of contract	(36)	(212)	(248)
Depreciation	(1,055)	(8,768)	(9,823)
Others	-	237	237
Ending balance	1,889	26,143	28,032

11. INTANGIBLE ASSETS:

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

	December 31, 2019				
	Development cost	Industrial property rights	Others	Membership deposits (*)	Total
Cost of purchases or appraised value	26,150	134	40,930	6,128	73,342
Accumulated depreciation	(8,244)	(88)	(21,090)	-	(29,422)
Accumulated impairment losses	-	-	-	(582)	(582)
Net carrying value	17,906	46	19,840	5,546	43,338

	December 31, 2018				
	Development cost	Industrial property rights	Others	Membership deposits (*)	Total
Cost of purchases or appraised value	17,080	106	32,165	5,959	55,310
Accumulated depreciation	(3,064)	(65)	(15,831)	-	(18,960)
Accumulated impairment losses	-	-	-	(582)	(582)
Net carrying value	14,016	41	16,334	5,377	35,768

(*) Membership deposits include golf clubs and condominium membership deposits and for these intangible assets, the exact period of useful life cannot be measured. Therefore, the Group has recognized impairment loss for the membership deposits since the recoverable amount is lower than the carrying amount.

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

	For the year ended December 31, 2019				
	Development cost	Industrial property rights	Others	Membership deposit	Total
Beginning balance	14,016	41	16,334	5,377	35,768
Acquisitions	9,070	28	8,765	169	18,032
Amortization	(5,180)	(23)	(5,259)	-	(10,462)
Ending balance	17,906	46	19,840	5,546	43,338

	For the year ended December 31, 2018				
	Development cost	Industrial property rights	Others	Membership deposit	Total
Beginning balance	13,164	58	15,256	5,378	33,856
Acquisitions	2,236	2	4,995	1,226	8,459
Disposal	-	-	-	(1,497)	(1,497)
Amortization	(1,384)	(19)	(3,917)	-	(5,320)
Reversal of impairment loss	-	-	-	270	270
Ending balance	14,016	41	16,334	5,377	35,768

12. OTHER ASSETS:

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

	December 31, 2019	December 31, 2018
Other assets:		
Advance payments	73,296	12,552
Prepaid lease assets	2,995	1,890
Prepaid expenses	5,471	2,978
Others	5,486	3,047
Total	87,248	20,467

13. BORROWINGS AND DEBENTURES:

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

	Provider	Interest rate (%)	December 31, 2019	December 31, 2018
Borrowings:				
Short-term borrowings	Woori Bank (Singapore)	3M LIBOR + 1.4	4,631	4,485

(2) Details of borrowings from other financial institutions are as follows (Unit: Korean won in millions):

	December 31, 2019		
	Bank	Non-bank	Total
Short-term borrowings	4,631	-	4,631

	December 31, 2018		
	Bank	Non-bank	Total
Short-term borrowings	4,485	-	4,485

(3) Details of debentures are as follows (Unit: Korean won in millions):

	December 31, 2019		
	Interest rate (%)	Maturity	Amount
Carrying value of bond:			7,080,888
Debentures in local currency	1.39–3.11	2020.01.13–2024.03.04	6,350,000
Debentures in foreign currency	LIBOR 1M +0.5 and others	2020.01.21–2022.10.25	730,888
Less:			(4,920)
Discount on bonds			(4,920)
Total			7,075,968

	December 31, 2018		
	Interest rate (%)	Maturity	Amount
Carrying value of bond:			7,045,979
Debentures in local currency	1.56–3.61	2019.01.16–2023.11.24	6,320,000
Debentures in foreign currency	LIBOR 1M +0.5 and others	2019.06.28–2021.02.25	725,979
Less:			(6,050)
Discount on bonds			(6,050)
Total			7,039,929

14. PROVISIONS:

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

	December 31, 2019	December 31, 2018
Provisions for unused commitments	51,631	49,144
Asset retirement obligation	4,544	5,234
Provision for illegal use of credit cards	442	466
Other provisions	198	198
Total	56,815	55,042

(2) Changes in provisions except provisions for unused commitments are as follows (Unit: Korean won in millions):

	For the year ended December 31, 2019			
	Asset retirement obligation	Provision for illegal use of credit card	Other provisions	Total
Beginning balance	5,234	466	198	5,898
Provisions provided	91	395	-	486
Reversal of unused amount	(254)	-	-	(254)
Provisions used	(538)	(645)	-	(1,183)
Others	11	226	-	237
Ending balance	4,544	442	198	5,184

	For the year ended December 31, 2018				
	Provision for credit card point	Asset retirement obligation	Provision for illegal use of credit card	Other provisions	Total
Beginning balance	6,122	5,215	611	208	12,156
Adjustments according to K-IFRS 1115	(6,122)	-	-	-	(6,122)
Provisions provided	-	96	294	-	390
Reversal of unused amount	-	(49)	-	(10)	(59)
Provisions used	-	(91)	(864)	-	(955)
Others	-	63	425	-	488
Ending balance	-	5,234	466	198	5,898

(3) Changes in provisions for guarantees and unused commitments are as follows (Unit: Korean won in millions):

		For the year ended December 31, 2019			
		12-month expected credit loss	Lifetime expected credit losses	Credit-impaired financial assets	Total
Provisions for unused loan commitments	Beginning balance	32,794	14,723	1,627	49,144
	Replaced with 12-month expected credit loss	6,369	(5,622)	(747)	-
	Replaced with lifetime expected credit losses	(1,310)	1,442	(132)	-
	Replaced with credit-impaired financial assets	(134)	(240)	374	-
	Provisions provided (reversal of unused amount)	(3,723)	2,979	3,231	2,487
	Ending balance	33,996	13,282	4,353	51,631

		For the year ended December 31, 2018			
		12-month expected credit loss	Lifetime expected credit losses	Credit-impaired financial assets	Total
Provisions for guarantees	Beginning balance	3	-	-	3
	Replaced with 12-month expected credit loss	-	-	-	-
	Replaced with lifetime expected credit losses	-	-	-	-
	Replaced with credit-impaired financial assets	-	-	-	-
	Provisions provided (reversal of unused amount)	(3)	-	-	(3)
	Ending balance	-	-	-	-
Provisions for unused loan commitments	Beginning balance	32,778	14,770	1,712	49,260
	Replaced with 12-month expected credit loss	6,062	(5,845)	(217)	-
	Replaced with lifetime expected credit losses	(1,556)	1,700	(144)	-
	Replaced with credit-impaired financial assets	(136)	(251)	387	-
	Provisions provided (reversal of unused amount)	(4,354)	4,349	(111)	(116)
	Ending balance	32,794	14,723	1,627	49,144

15. NET DEFINED BENEFIT LIABILITIES (ASSETS):

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

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

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

(3) Details of net defined benefit liability (assets) are as follows (Unit: Korean won in millions):

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	31,418	28,281
Fair value of plan assets	(32,305)	(28,624)
Net defined benefit liability (assets)	(887)	(343)

(4) The amounts recognized in the consolidated statements of comprehensive income relating to defined benefit plans are as follows (Unit: Korean won in millions):

	For the year ended December 31	
	2019	2018
Current service cost	5,601	4,866
Net interest cost	(83)	(122)
Cost recognized in net income	5,518	4,744
Remeasurements	(1,385)	1,737
Income tax effect	381	(612)
Cost recognized in total comprehensive income	4,514	5,869

(5) Changes in the present value of present value of defined benefit obligations are as follows (Unit: Korean won in millions):

	For the year ended December 31	
	2019	2018
Beginning balance	28,281	22,117
Current service cost	5,601	4,866
Interest expense	736	676
Remeasurements	(1,699)	1,421
Benefit paid	(1,447)	(799)
Others	(54	-
Ending balance	31,418	28,281

(6) Changes in the present value of fair value of plan assets are as follows (Unit: Korean won in millions):

	For the year ended December 31	
	2019	2018
Beginning balance	28,624	23,604
Interest income	819	798
Remeasurements	(314)	(316)
Payment of contribution	4,466	5,160
Benefit paid	(1,193)	(622)
Others	(97	-
Ending balance	32,305	28,624

(7) Retirement benefit costs measured with respect to the defined contribution for the years ended December 31, 2019 and 2018, are ₩505 and ₩482 million, respectively.

(8) The significant actuarial assumptions used in defined benefit obligation assessment are as follows (Unit: %):

	December 31, 2019	December 31, 2018
Discount rate	2.38	2.65
Inflation rate	2.33	2.21
Future wage growth rate	4.29	4.82
Mortality rate	Issued by Korea Insurance Development Institute	Issued by Korea Insurance Development Institute
Retirement rate	Experience rate	Experience rate

(9) The sensitivity of actuarial assumptions used in assessment of defined benefit obligation is as follows (Unit: Korean won in millions):

		December 31, 2019	December 31, 2018
Discount rate	Increase by 1% point	(3,030)	(2,938)
	Decrease by 1% point	3,555	3,460
Future wage growth rate	Increase by 1% point	3,523	3,443
	Decrease by 1% point	(3,061)	(2,979)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the consolidated statements of financial position.

(10) Details of plan assets are as follows (Unit: Korean won in millions):

	December 31, 2019	December 31, 2018
Saving deposits	32,305	28,624
Ratio (%)	100	100

(11) The contribution expected to be paid in the next accounting year amounts to ₩6,014 million.

(12) Retirement benefit cost measured with respect to the defined contribution is as follows (Unit: Korean won in millions):

	For the year ended	
	December 31, 2019	December 31, 2018
Severance benefits - defined contribution	213	151

16. DERIVATIVES:

The hedging relationships the Group applies to fair value hedge accounting and cash flow hedge accounting are affected by interest rate, which is related with Interest Rate Benchmark Reform. The interest rates to which the hedging relationships are exposed are USD 1M LIBOR and USD 3M LIBOR. The nominal amounts of hedging instruments related to USD 1M LIBOR and USD 3M LIBOR are USD 400,000,000 and USD 80,000,000, respectively. The Group pays close attention to discussions in the market and industry regarding the applicable alternative benchmark interest rates for the exposed interest rate. The entity judges that related uncertainty is expected to be no longer present when the exposed interest rates are replaced by the applicable benchmark interest rates.

(1) The Group has Korean won floating-rate debentures and foreign currency-denominated bonds entered into an interest rate swap and currency swap contracts to hedge the cash flow variation risk of bonds. Details of derivative assets and derivative liabilities are as follows (Unit: Korean won in millions):

	December 31, 2019		
		Liabilities for cash flow hedge	
	Notional amount	Assets	Liabilities
Interest rate swap	200,000	-	1,646
Currency swap	730,888	9,366	5,193
Total	930,888	9,366	6,839

	December 31, 2018		
		Liabilities for cash flow hedge	
	Notional amount	Assets	Liabilities
Interest rate swap	200,000	263	665
Currency swap	725,979	-	33,089
Total	925,979	263	33,754

(2) Overview of hedge accounting

As of December 31, 2019, the Group has applied cash flow hedge on won-denominated bonds amounting to ₩199,915 million and foreign currency-denominated bonds amounting to ₩729,141 million. The purpose of the hedging is to avoid the cash flow risk of principal and interest arising from fluctuation of interest rate and exchange rate. The Group has designated interest swap contracts and currency swap contracts as hedging instruments in order to achieve such objectives.

Pursuant to the interest rate swap agreement, by swapping the calculated difference between the fixed interest rate and floating interest rate applied to the nominal value, the cash flow fluctuation risk is hedged as the Korean won-denominated debentures' floating interest rate terms are converted to fixed interest rate. In addition, in accordance with the currency swap agreement, the principal amount is exchanged on the commencement date, a fixed interest rate is applied to the nominal value determined in advance, the calculated amount is paid and the amount calculated by applying the floating rate to the US dollar is exchanged. On the end date, the principal exchanged on the start date is returned. As a result, it is to eliminate the cash flow fluctuation risk. Pursuant to the interest rate swap agreement and the currency swap agreement, hedge ratio is determined by matching the nominal value to the face value of the hedging instrument.

In this hedging relationship, only the interest rate fluctuation and the exchange rate fluctuation, which are the most significant part of the cash flow fluctuation factors of the items subject to risk, are designated as the hedged risk and other risk factors, including credit risk, and are not included in the hedged risk. Therefore, the ineffective portion of the hedge may arise from the price margin of the trading counterparty and the credit risk fluctuation of either party of the hedged item.

The interest rate swap, the currency swap agreements and the hedged items are subject to market interest rates and exchange rate fluctuations. The Group expects the value of the interest rate swap and currency swap agreements and the value of the hedged item to generally change in the opposite direction.

(3) The nominal amounts of the hedging instrument are as follows (Unit: Korean won in millions, USD and SGD):

	As of December 31, 2019			
	1 year or less	1 year to 5 years	More than 5 years	Total
Cash flow hedge				
Interest rate risk:				
Interest rate swap	-	200,000	-	200,000
Exchange risk and interest rate risk:				
Currency swap (USD)	150,000,000	330,000,000	-	480,000,000
Exchange risk:				
Currency swap (SGD)	136,000,000	68,000,000	-	204,000,000

	As of December 31, 2018			
	1 year or less	1 year to 5 years	More than 5 years	Total
Cash flow hedge				
Interest rate risk:				
Interest rate swap	-	200,000	-	200,000
Exchange risk and interest rate risk:				
Currency swap (USD)	50,000,000	450,000,000	-	500,000,000
Exchange risk:				
Currency swap (SGD)	-	204,000,000	-	204,000,000

(4) The average exchange rate and average interest rate of the hedging instrument are as follows:

1) As of December 31, 2019

	Average interest rate and average exchange rate
Cash flow hedge:	
Interest rate risk:	
Interest rate swap (KRW)	KRW CD+0.63% received, 2.31% paid KRW 3Y CMS +0.40% received, 2.38% paid
Exchange risk and interest rate risk:	
Currency swap (USD)	USD 3M LIBOR+0.80% received, KRW 1.45% paid, USD/KRW = ₩1,155.35 USD 1M LIBOR+0.538% received, KRW 1.53% paid, USD/KRW = ₩1,157.68
Exchange risk:	
Currency swap (SGD)	SGD 1.91% received, KRW 1.98% paid, SGD/KRW = ₩827.57

2) As of December 31, 2018

	Average interest rate and average exchange rate
Cash flow hedge:	
Interest rate risk:	
Interest rate swap (KRW)	KRW CD+0.63% received, 2.31% paid KRW 3Y CMS+0.4% received, 2.38% paid
Exchange risk and interest rate risk:	
Currency swap (USD)	USD 3M LIBOR+0.7% received and KRW 1.74% paid, USD/KRW=₩1,136 Average USD 1M LIBOR+0.52% received, KRW 1.71% paid, USD/KRW=₩1,178
Exchange risk:	
Currency swap (SGD)	SGD 1.91% received and KRW 1.98% paid, SGD/KRW=₩828

(5) The amounts related to items designated as hedging instruments are as follows (Unit: Korean won in millions, USD and SGD):

1) As of December 31, 2019

	Nominal amounts of the hedging instrument	Carrying amounts of the hedging instrument		Line item in the consolidated statement of financial position where the hedging instrument is located	Change in fair value used for calculating hedge ineffectiveness
		Assets	Liabilities		
Cash flow hedge:					
Interest rate risk:					
Interest rate swap	200,000	-	1,646	Derivative assets	(1,243)
Exchange risk and interest rate risk:					
Currency swap (USD)	USD 480,000,000	4,070	5,193	Derivative assets /liabilities	22,364
Exchange risk:					
Currency swap (SGD)	SGD 204,000,000	5,296	-	Derivative assets	8,918

2) As of December 31, 2018

	Nominal amounts of the hedging instrument	Carrying amounts of the hedging instrument		Line item in the consolidated statement of financial position where the hedging instrument is located	Change in fair value used for calculating hedge ineffectiveness
		Assets	Liabilities		
Cash flow hedge:					
Interest rate risk:					
Interest rate swap	200,000	263	665	Derivative assets	(1,447)
Exchange risk and interest rate risk:					
Currency swap (USD)	USD 50,000,000	-	28,907	Derivative liabilities	21,582
Exchange risk:					
Currency swap (SGD)	SGD 204,000,000	-	4,182	Derivative liabilities	2,353

(6) Details of the carrying amount to hedged item and amount adjusted due to hedge accounting are as follows (Unit: Korean won in millions):

1) As of December 31, 2019

	Carrying amounts of the hedging item		Line item in the consolidated statement of financial position in which the hedged item is included	Change in fair value used for calculating hedge ineffectiveness	Cash flow hedge reserve (*)
	Assets	Liabilities			
Cash flow hedge:					
Interest rate risk:					
Interest rate swap	-	199,915	Debentures	1,301	(1,059)
Exchange risk and interest rate risk:					
Currency swap	-	554,433	Debentures	(25,057)	(2,525)
Exchange risk:					
Currency swap	-	174,708	Debentures	(8,315)	(2,304)

2) As of December 31, 2018

	Carrying amounts of the hedging item		Line item in the consolidated statement of financial position in which the hedged item is included	Change in fair value used for calculating hedge ineffectiveness	Cash flow hedge reserve (*)
	Assets	Liabilities			
Cash flow hedge:					
Interest rate risk:					
Interest rate swap	-	199,863	Debentures	1,461	(169)
Exchange risk and interest rate risk:					
Currency swap	-	557,185	Debentures	(16,790)	(1,211)
Exchange risk:					
Currency swap	-	166,123	Debentures	(1,762)	(2,287)) (*)

Amount after tax deduction

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

1) For the year ended December 31, 2019

		Effectiveness of hedging instrument recognized in cash flow hedge reserve	Hedge ineffectiveness recognized in profit or loss	Change in the value of foreign basis spread recognized in other comprehensive income	Line item in the profit or loss that includes hedge ineffectiveness	Amounts reclassified from cash flow hedge reserve to profit or loss	Line item affected in profit or loss because of the reclassification
Cash flow hedge	Interest rate risk	(1,228)	(15)	-	Other net operating income	-	Other net operating income
	Exchange risk and interest rate risk	21,420	944	838	Other net operating expense	(23,541)	Other net operating income
	Exchange risk	7,638	1,280	560	Other net operating income	(8,215)	Other net operating income

2) For the year ended December 31, 2018

		Effectiveness of hedging instrument recognized in cash flow hedge reserve	Hedge ineffectiveness recognized in profit or loss	Change in the value of foreign basis spread recognized in other comprehensive income	Line item in the profit or loss that includes hedge ineffectiveness	Amounts reclassified from cash flow hedge reserve to profit or loss	Line item affected in profit or loss because of the reclassification
Cash flow hedge	Interest rate risk	(1,455)	8	-	Other net operating income	-	Other net operating income
	Exchange risk and interest rate risk	21,429	153	(882)	Other net operating expense	(23,084)	Other net operating income
	Exchange risk	2,353	-	(491)	Other net operating income	(3,601)	Other net operating income

(8) Changes in cash flow hedge reserve related to hedge are as follows (Unit: Korean won in millions):

	For the year ended December 31,	
	2019	2018
Beginning balance	(3,667)	1,704
Profit or loss on hedging recognized in cash flow hedge reserve	29,534	21,314
Effective part of the fair value change of the hedging instrument	27,830	22,327
Change in foreign basis spread	1,398	(1,373)
Income tax effect	306	360
In profit or loss reclassified amount	(31,756)	(26,685)
Ending balance	(5,889)	(3,667)

17. OTHER FINANCIAL LIABILITIES AND OTHER LIABILITIES:

(1) Details of other financial liabilities and other liabilities are as follows (Unit: Korean won in millions):

	December 31, 2019	December 31, 2018
Other financial liabilities:		
Accounts payable	570,992	719,659
Accrued expenses	110,491	100,043
Prepaid card liabilities	14,732	14,382
Debit card liabilities	146,732	143,322
Guarantee deposit received for import license	37,467	26,547
Domestic exchange obligation payable	4,648	7,260
Lease liabilities	27,694	-
Others	3,232	2,838
Subtotal	915,988	1,014,051
Other liabilities:		
Advance received	8,431	3,936
Unearned income	139,375	121,748
Other payable	7,011	752
Others	45,838	8,116
Subtotal	200,655	134,552
Total	1,116,643	1,148,603

(2) The lease payments to be paid in the future are as follows (Unit: Korean won in millions):

	December 31, 2019
Lease payments:	29,071
Within one year	9,557
One year to five years	19,514
More than five years	-

(3) The total cash outflows from leasing are as follows (Unit: Korean won in millions):

	December 31, 2019
Total cash outflows from leases	10,649

(4) Details of lease payments that are not included in the measurement of lease liabilities due to the fact that they are short-term leases or leases for which the underlying asset is of low value are as follows (Unit: Korean won in millions):

	December 31, 2019
Lease payments for short-term leases	452
Lease payments for which the underlying asset is of low value	137
Total	589

(5) Details of interest expenses for the lease are as follows (Unit: Korean won in millions):

	December 31, 2019
Properties for business use	48
Structures in leased office	793
Total	841

18. CAPITAL STOCK AND CAPITAL SURPLUS:

(1) Capital stock and capital surplus are as follows (Unit: Korean won in millions):

	December 31, 2019	December 31, 2018
Capital stock:		
Common stock	896,331	896,331
Capital surplus:		
Capital in excess of par value	127,097	127,097
Other capital surplus	(5,579)	-
Total	1,017,849	1,023,428

(2) The number of authorized shares are as follows (Unit: Korean won):

	December 31, 2019	December 31, 2018
Authorized shares of capital stock	670,000,000 shares	670,000,000 shares
Par value	5,000	5,000
Issued shares of common stock	179,266,200 shares	179,266,200 shares

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

		December 31, 2019	December 31, 2018
Capital in excess of par value	Increase by issuance of common stock	127,097	127,097
Other capital surplus		(5,579)	-
		121,518	127,097

19. OTHER EQUITY:

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

	December 31, 2019	December 31, 2018
Accumulated other comprehensive income:		
Gain on valuation of financial assets at FVTOCI	30,549	32,670
Remeasurement loss related to defined benefit plan	(3,199)	(4,203)
Net loss on valuation of cash flow hedge	(5,889)	(3,667)
Gain (loss) on foreign currency translation of foreign operations	415	(508)
Total	21,876	24,292

(2) Changes in other equity are as follows (Unit: Korean won in millions):

	For the year ended December 31, 2019			
	Beginning balance	Increase (decrease) on valuation (*)	Income tax effect	Ending balance
Accumulated other comprehensive income:				
Gain on valuation of financial assets at FVTOCI	32,670	(2,918)	797	30,549
Remeasurement loss related to defined benefit plan	(4,203)	1,385	(381)	(3,199)
Net loss on valuation of cash flow hedge	(3,667)	(2,528)	306	(5,889)
Gain (loss) on foreign currency translation of foreign operations	(508)	1,273	(350)	415
Total	24,292	(2,788)	372	21,876

(*) Net gain (loss) on valuation of financial assets at FVTOCI included ₩1 million transfer to retained earnings due to disposal of equity securities.

	For the year ended December 31, 2018			
	Beginning balance	Increase (decrease) on valuation	Income tax effect	Ending balance
Accumulated other comprehensive income:				
Gain on valuation of financial assets at FVTOCI	34,201	(58)	(1,473)	32,670
Remeasurement loss related to defined benefit plan	(3,077)	(1,738)	612	(4,203)
Net loss on valuation of cash flow hedge	1,704	(5,731)	360	(3,667)
Gain (loss) on foreign currency translation of foreign operations	(286)	(324)	102	(508)
Total	32,542	(7,851)	(399)	24,292

20. RETAINED EARNINGS:

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

	December 31, 2019	December 31, 2018
Legal reserve:		
Earned surplus reserve	111,745	111,745
Voluntary reserve:		
Regulatory reserve for credit loss	387,181	403,277
Retained earnings before appropriation	249,516	119,222
Total	748,442	634,244

1) Legal reserve

Korean Commercial Code requires a company to appropriate at least 10% of dividends paid as legal reserve for each fiscal period until the reserve equals 50% of paid-in capital. This reserve is not available for payment of cash dividends; however, it can be used to reduce deficit or can be transferred to capital.

2) Regulatory reserve for credit loss

The Company accumulated the shortage as bad debt reserve as the recognized allowance for doubtful accounts was less than the amount in accordance with the *Regulations on Supervision of Credit-Specialized Financial Business Act Article 11.*

21. REGULATORY RESERVE FOR CREDIT LOSS:

In accordance with Article 11 of the Regulation on the Supervision of Banking Business ("RSBB"), if provisions for credit loss under K-IFRS for the accounting purpose are lower than those for the regulatory purpose required by RSBB, the Group is required to reserve such difference as regulatory reserve for credit loss.

The regulatory reserve for credit loss is classified as appropriated retained earnings. The excess of provisions under RSBB over provisions for credit loss under K-IFRS can be reversed. If the Group has accumulated deficits, the Group should recommence setting aside reserve for credit loss at the time when the accumulated deficits are offset.

(1) Details of balance of the planned regulatory reserve for credit loss are as follows (Unit: Korean won in millions):

	December 31, 2019	December 31, 2018
Beginning balance	387,181	403,277
Planned reversal of regulatory reserve for credit loss	20,722	(16,096)
Ending balance	407,903	387,181

(2) Planned reserves provided, adjusted net income after the planned reserves provided and adjusted EPS after the planned reserves provided for credit loss are as follows (Unit: Korean won in millions, except for EPS amount):

	For the years ended December 31	
	2019	2018
Net income	114,197	126,534
Provision of regulatory reserve for credit loss	20,722	44,626
Adjusted net income after the provision of regulatory reserve	93,475	81,908
Adjusted EPS after the provision of regulatory reserve (Unit: Korean won)	522	458

22. NET INTEREST INCOME:

Net interest income is the amount of interest expense deducted from the amount of interest income whose details are as follows (Unit: Korean won in millions):

	For the years ended December 31	
	2019	2018
Interest income:		
Interest on due from banks	1,631	1,719
Interest on financial assets at amortized cost	723,689	667,187
Subtotal	725,320	668,906
Interest expenses:		
Interest on borrowings	793	998
Interest on debentures	170,122	159,588
Others	1,825	530
Subtotal	172,740	161,116
Net interest income	552,580	507,790

23. NET FEES AND COMMISSION INCOME:

Net fees and commission income are the amount of fees and commission expense deducted from the amount of fees and commission income, whose details are as follows (Unit: Korean won in millions):

	For the year ended December 31	
	2019	2018
Commission received:		
Commission received on credit card	540,678	607,351
Commission received on loans and discounts	1,695	997
Commission received on installment financing	808	825
Commission received on financial lease	4,288	1,971
Other commission received	1,324	965
Subtotal	548,793	612,109
Commission expenses:		
Commission expenses on credit card	542,182	580,971
Commission expenses on loans and discounts	2,815	4,345
Commission expenses on installment financing	889	1,409
Commission expenses on financial lease	5,227	1,597
Other commission expenses	15,348	11,489
Subtotal	566,461	599,811
Net fees and commission income	(17,668)	12,298

24. DIVIDEND INCOME:

Details of dividend income recognized for credit loss are as follows (Unit: Korean won in millions):

	For the year ended December 31	
	2019	2018
Financial assets at FVTOCI:		
Dividend in local currency	4,749	9,026
Distribution of capital contribution	1,087	1,128
Total	5,836	10,154

25. GAINS OR LOSSES RELATED TO FINANCIAL INSTRUMENTS AT FVTPL:

Details of gains or losses related to financial assets at FVTPL for credit loss are as follows (Unit: Korean won in millions):

	For the year ended December 31	
	2019	2018
Net gain (loss) on disposal of financial instruments at FVTPL	1,375	2,749

26. IMPAIRMENT LOSSES DUE TO CREDIT LOSS:

Impairment losses for loans, other receivables, guarantees and unused commitments are as follows (Unit: Korean won in millions):

	For the year ended December 31	
	2019	2018
Financial assets at amortized cost:		
Bad debt expense	252,336	244,881
Guarantees and commitments:		
Provision for guarantees:		
Reversal of provision for guarantees	-	(3)
Provision for unused commitments:		
Reserve (reversal) for provision for unused commitments	2,487	(116)
Subtotal	2,487	(119)
Total	254,823	244,762

27. GENERAL AND ADMINISTRATIVE EXPENSES AND OTHER OPERATING INCOME (EXPENSE):

(1) Details of general and administrative expenses for credit loss are as follows (Unit: Korean won in millions):

	For the year ended December 31	
	2019	2018
Salaries		
Short-term employee benefits		
Salaries and wages	59,474	56,073
Employee benefits	15,501	12,733
Retirement benefit service costs	8,100	4,895
Subtotal	83,075	73,701
Depreciation	17,905	6,158
Amortization	10,462	5,320
Other general and administrative expenses		
Reimbursement	621	787
Business taskforce cost	1,071	1,351
Rent expense	8,034	17,726
Advertising	2,996	4,022
Taxes and public dues	15,508	13,693
Computer and IT-related expense	32,526	31,716
Service charges	3,946	3,787
Telephone and communication	6,060	5,793
Supplies	501	527
Others	7,357	6,184
Subtotal	78,620	85,586
Total	190,062 -	170,765

(2) Details of net other operating income (expenses) for credit loss as of December 31, 2019 and 2018, are as follows (Unit: Korean won in millions):

	For the years ended December 31	
	2019	2018
Other operating income:		
Gain on sale of loans	17,795	35,350
Gain on other provisions	254	59
Gain on valuation of derivatives	20,452	26,698
Gain on transaction of derivatives	15,955	-
Other income	32,360	30,687
Subtotal	86,816	92,794
Other operating expenses:		
Loss on sale of loans	29	5
Loss on other provisions	486	390
Loss on valuation of derivatives	2,255	-
Loss on disposal of derivatives	1,125	-
Loss on transaction of foreign currency	34,136	27,601
Other expenses	16,162	15,490
Subtotal	54,193	43,486
Total	32,623	49,308

28. NON-OPERATING INCOME (EXPENSES):

Details of other non-operating income (expenses) for credit loss are as follows (Unit: Korean won in millions):

	For the year ended December 31	
	2019	2018
Non-operating income:		
Reversal of intangible asset impairment loss	-	270
Other income	22,144	3,478
Subtotal	22,144	3,748
Non-operating expenses:		
Loss on disposal of premises and equipment and others	277	51
Donation	716	3,846
Other expenses	991	110
Subtotal	1,984	4,007
Total	20,160	(259)

29. INCOME TAX EXPENSE:

(1) Details of income tax expense are as follows (Unit: Korean won in millions):

	For the year ended December 31	
	2019	2018
Current income tax payable	45,979	26,787
Adjustment recognized in the period for current tax of prior periods	(3,458)	(224)
Changes in deferred income taxes due to temporary differences	(8,995)	(4,333)
Changes in deferred income taxes directly reflected in equity	2,488	(399)
Other changes	(190)	18,148
Income tax expense	35,824	39,979

(2) The relationship between income tax expense and income before income tax expense for credit loss are as follows (Unit: Korean won in millions):

	December 31, 2019	December 31, 2018
Net income before income tax expense	150,021	166,513
Tax calculated at statutory tax rate (*)	35,843	39,834
Adjustments:		
Effect of non-taxable income	(344)	(8,169)
Effect of non-deductible expenses	399	4,125
Adjustment recognized in the period for current tax of prior periods	(3,458)	(224)
Consolidated income tax return	1,298	-
Others	2,086	4,413
Income tax expense	35,824	39,979
Effective tax rate	23.88%	24.01%

(*) The corporate tax rate is 11% for income below ₩200 million, 22% for income more than ₩200 million and below ₩20 billion, 24.2% for income more than ₩20 billion and below ₩300 billion and 27.5% for income more than ₩300 billion.

(3) Changes in cumulative temporary differences are as follows (Unit: Korean won in millions):

	For the year ended December 31, 2019			
	Beginning balance	Recognized as income (loss)	Recognized as equity	Ending balance
Unearned income	32,977	1,161	-	34,138
Other provisions	14,898	(1,548)	2,228	15,578
Gain on valuation of FVTOCI	(12,392)	-	797	(11,595)
Gain on valuation of securities	(10,713)	-	-	(10,713)
Unconfirmed expenses	6,432	2,982	-	9,414
Retirement benefit obligation	7,665	1,327	(381)	8,611
Provision for retirement insurance benefits	(5,817)	(873)	-	(6,690)
Asset retirement obligation	1,439	(189)	-	1,250
Impairment loss on membership	316	-	-	316
Discount on present value of installment receivable	2,724	(1,090)	-	1,634
Amortization of goodwill	407	(261)	306	452
Asset retirement obligation on leased office facilities	(1,342)	41	-	(1,301)
Gain (loss) on fair value of properties for business use	(339)	-	-	(339)
Deferred loan origination cost (fee)	(6,743)	(268)	-	(7,011)
Leased office facilities	1,145	34	-	1,179
Gain on fair value of buildings for business use	113	8	-	121
Gain (loss) on foreign currency translation of foreign operations	193	-	(350)	(157)
Right-of-use assets	-	(7,709)	-	(7,709)
Lease liability	-	7,616	-	7,616
Others	1,419	5,276	(112)	6,583
Net deferred tax assets (liabilities)	32,382	6,507	2,488	41,377

	For the year ended December 31, 2018			
	Beginning balance	Recognized as income (loss)	Recognized as equity	Ending balance
Unearned income in local currency (card point)	28,898	4,079	-	32,977
Other provisions	8,893	6,005	-	14,898
Gain on valuation of FVTOCI	(10,922)	3	(1,473)	(12,392)
Gain on valuation of securities	(9,348)	(1,365)	-	(10,713)
Unconfirmed expenses	8,972	(2,540)	-	6,432
Retirement benefit obligation	5,212	1,841	612	7,665
Provision for retirement insurance benefits	(4,111)	(1,706)	-	(5,817)
Asset retirement obligation	1,262	177	-	1,439
Impairment loss on membership	661	(345)	-	316
Discount on present value of installment receivable	830	1,894	-	2,724
Loss on valuation of derivatives	735	(688)	360	407
Amortization of goodwill	307	(307)	-	-
Asset retirement obligation on leased office facilities	(677)	(665)	-	(1,342)
Gain (loss) on fair value of properties for business use	(298)	(41)	-	(339)
Deferred loan origination cost (fee)	(3,078)	(3,665)	-	(6,743)
Leased office facilities	342	803	-	1,145
Gain on fair value of buildings for business use	92	21	-	113
Gain (loss) on foreign currency translation of foreign operations	91	-	102	193
Others	188	1,231	-	1,419
Net deferred tax assets (liabilities)	28,049	4,732	(399)	32,382

(4) Details of deferred tax relating to items that are recognized directly in equity are as follows (Unit: Korean won in millions):

	December 31, 2019	December 31, 2018
Loss on valuation of financial assets at FVTOCI	(11,595)	(12,392)
Remeasurements of net defined benefit plan	1,213	1,594
Cash flow hedging gains or losses	370	64
Exchange difference in foreign operation	(157)	193
Business combination involving entities under common control	2,116	-
Total	(8,053)	(10,541)

(5) Current tax assets and liabilities are as follows (Unit: Korean won in millions):

	December 31, 2019	December 31, 2018
Current tax assets	-	-
Current tax liabilities	38,279	23,623

30. EARNING PER SHARE (“EPS”):

Details of basic EPS for credit loss are as follows:

	December 31, 2019 `	December 31, 2018
Net income (Unit: KRW in millions)	114,197	126,534
Weighted-average number of shares outstanding (Unit: In millions)	179	179
Net income per share (Unit: KRW)	637	706

The Group had not diluted potential ordinary shares for the reporting periods. Accordingly, diluted EPS equals basic EPS for credit loss as of December 31, 2019 and 2018.

31. CONTINGENT LIABILITIES AND COMMITMENTS:

(1) Details of guarantees, which the Group has provided to others as of December 31, 2019 and 2018, did not exist.

(2) Details of loan commitments and other commitments, which the Group provided for others are as follows (Unit: Korean won in millions, except ratio):

	December 31, 2019	December 31, 2018
Loan commitments in local currency:		
Unused credit limits	33,120,042	32,174,569
Provisions for unused commitments	51,631	49,144
Ratio (%)	0.16	0.15

(3) Details of lawsuits that the Group has filed and faced are as follows (Unit: Korean won in millions):

	December 31, 2019		December 31, 2018	
	As plaintiff	As defendant	As plaintiff	As defendant
Number of cases	20 cases	18 cases	17 cases	12 cases
Amount of litigation	5,487	1,305	29,032	184

As of December 31, 2019 and 2018, the lawsuits discussed above do not include litigations in regard to electronic claims for late payment on credit cards. Accordingly, these lawsuits have no significant impact on the consolidated financial statements as of December 31, 2019 and 2018.

(4) Early redemption in relation to asset securitization

As prescribed by the agreements, risk of investors based on the changes in asset quality is limited due to the trigger condition that is created for credit supplement. The Group has an obligation to early redeem the asset-backed securities in case the trigger condition is breached.

(5) Details of loan commitments and the other commitments, which the Group was provided are as follows (Unit: Korean won in millions):

Classification	Counterparty	December 31, 2019	December 31, 2018
Loan commitment	Woori Bank	500,000	500,000
	Busan Bank	30,000	30,000
	Hana Bank	50,000	50,000
	Shinhan Bank	150,000	150,000
	Industrial Bank	100,000	100,000
	Standard Chartered Bank	120,000	100,000
	ANZ Bank	50,000	50,000
	China Bank	30,000	30,000
	Suhyup Bank	-	20,000
Total		1,030,000	1,030,000

(6) Others

Among the receivables that have been written off, the Group recognizes the following items as written-off loans: a) Loans that are legally effective since the statute of limitations has not expired or b) Loans that the Group still has the right to claim against debtors due to the failure of collection of written-off loans. Accordingly, the balances of the Group’s written-off loans as of December 31, 2019 and 2018, are ₩1,157,060 million and ₩1,026,370 million, respectively.

32. ASSET-BACKED SECURITIZATION:

The Group has transferred some of its financial instruments, such as credit card receivables, to the trust company pursuant to the Asset-Backed Securitization Act.

(1) The initial transfer price of the credit card receivable that the Group sold by the Asset-Backed Securitization Act is as follows (Unit: Korean won in millions):

	Initial transfer date	Transfer value (*)
Woori Card 2017-1 Asset Securitization Specialty Co., Ltd.	2017.01.23	692,495
Woori Card 2017-2 Asset Securitization Specialty Co., Ltd.	2017.11.09	672,383
Woori Card 2018-1 Asset Securitization Specialty Co., Ltd.	2018.10.31	567,997
Woori Card 2019-1 Asset Securitization Specialty Co., Ltd.	2019.11.12	388,498

(*) The effects of provision and present value discount are excluded.

(2) The receivables sold but uncollected by the Asset-Backed Securitization Act are as follows (Unit: Korean won in millions):

Classification	Assets sold	December 31, 2019	December 31, 2018
Woori Card 2017-1 Asset Securitization Specialty Co., Ltd.	Credit card assets	322,041	631,282
Woori Card 2017-2 Asset Securitization Specialty Co., Ltd.	Credit card assets	522,684	565,691
Woori Card 2018-1 Asset Securitization Specialty Co., Ltd.	Credit card assets	475,917	524,552
Woori Card 2019-1 Asset Securitization Specialty Co., Ltd.	Credit card assets	396,706	-

33. BUSINESS COMBINATION

As of July 31, 2019, the Group acquired WiBee members business in Woori Bank. Because the transaction is between Woori Bank and Woori card that is a combination of entities under common control, the identifiable assets acquired and the liabilities assumed in a business combination are measured by using the book value method. Details of the transaction are as follows:

(1) Overview

	Assets sold
Acquiree	Woori Bank
Acquirer	Woori card
Underlying asset	WiBee members business
Acquisition date	July 31, 2019

(2) Accounting method

The identifiable assets acquired and the liabilities assumed in a business combination are measured by using the book value as of acquisition date. The consideration transferred and book value of net assets are ₩34,743 million and ₩(-)42,438 million, respectively, and the Group recognized an amount ₩ (-)7,695 million that differs as capital surplus.

(3) Book value of the significant assets and the significant liabilities and the consideration transferred are as follows (Unit: Korean won in millions):

	December 31, 2019 (*)
I. Book value of net assets acquired	
Assets	
Financial assets at amortized cost	4,631
Premises and equipment	916
Intangible assets	2,456
Total assets	8,003
Liabilities	
Provisions	48,575
Other financial liabilities	1,866
Total liabilities	50,441
Net assets	(42,438)
II. The consideration transferred (*)	(34,743)
III. Income tax effect	(2,116)
IV. capital surplus (I-II-III)	(5,579)

(*) The Group received an amount that is measured as the assets acquired and the liabilities assumed as fair value from Woori Bank.

34. RELATED-PARTY TRANSACTIONS:

(1) Related parties of the Group

1) The Parent Company of the Group as of December 31, 2019, is Woori financial group (100% share ratio).

2) As of December 31, 2019, related parties of the Group are summarized as follows:

	Related parties
Parent	Woori financial group
Others	Woori Bank, Woori FIS Co., Ltd., Woori Private Equity Co., Ltd., Woori Finance Research Institute Co., Ltd., Woori Investment Bank Co., Ltd., Woori Credit Information Co., Ltd., Woori America Bank, PT Bank Woori Saudara Indonesia 1906 Tbk, Woori Global Markets Asia Limited, Woori Bank China Limited, Ao Woori Bank, Banco Woori Bank do Brasil S.A., Korea BTL Infrastructure Fund, Woori Fund Service Co., Ltd., Woori Finance Cambodia PLC, Woori Finance Myanmar Co., Ltd., Wealth Development Bank, Woori Bank Vietnam Limited, WB Finance Co., Ltd., Woori Bank Europe, Woori Bank Principal and Interest Guaranteed Trust, Woori Bank Principal Guaranteed Trust, Kumho Trust 1st Co., Ltd. and 58 SPCs, Heungkuk Woori Tech Company Private Placement Investment Trust No. 1 and 8 beneficiary certificates, Woori Service Networks Co., Ltd., Korea Credit Bureau Co., Ltd., Korea Finance Security Co., Ltd., Chin Hung International Inc., Woori asset trust. Ltd., 2016KIF-IMM Woori Bank Technology Venture Fund, K BANK Co., Ltd., Lotte Card Co., Ltd., Well to Sea No.3 Private Equity Fund and others (Dongwoo C & C Co., Ltd and 29 Associates), Godo Kaisha Oceanos 1, Uri Hanhwa Eureka Private Equity Fund, Japanese Hotel Real Estate Private Equity Fund 1, Woori Asset Management Co., Ltd., Woori global asset management co., Ltd., WOORIG China Value Equity (C/C(F)), Tongyang China Convertible Bond Fund and Woori Growth Partnerships New Technology Private Equity Fund 1

(*) As of December 31, 2019, Woori financial group holds 100% of the Group's ownership interest through a comprehensive stock exchange of shares between Woori Bank and Woori financial group for the year ended December 31, 2019.

(2) The Group’s key management includes the registered directors and executives with important authority and responsibilities for plans, operations and regulations of the Group’s activities. Details of compensation for key management are as follows (Unit: Korean won in millions):

	December 31, 2019	December 31, 2018
Salaries	3,429	3,215
Severance and retirement benefits	147	121

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

		For the year ended December 31, 2019					
	Related parties	Interest revenue	Interest expense	Commission income	Commission expense	Bad debt expense (reversal)	Other operating income
Parent	Woori financial group	-	-	-	-	-	-
Others	Woori Bank	185	775	83	125,619	(1)	378
	Woori Credit Information Co. Ltd.	-	-	-	1,817	-	8,769
	Woori FIS Co., Ltd.	-	-	-	-	-	30,501
	Woori Finance Research Institute Co., Ltd.	-	-	-	-	-	-
	Woori Investment Bank Co., Ltd.	486	-	-	-	-	-
	Korea Credit Bureau Co., Ltd.	-	-	-	2,608	-	-
	Woori Service Networks Co., Ltd.	-	-	-	448	(3)	277
	Korea Finance Security Co., Ltd.	-	-	-	-	8	112
	Chin Hung International Inc.	-	-	-	-	44	-
	Total	671	775	83	130,492	48	40,037

		For the year ended December 31, 2018					
	Related parties	Interest revenue	Interest expense	Commission income	Commission expense	Bad debt expense (reversal)	Other operating income
Parent	Woori Bank	62	997	211	142,430	-	968
Others	Woori Credit Information Co. Ltd.	-	-	-	7,434	-	3,099
	Woori FIS Co., Ltd.	4	-	27	12	-	29,677
	Woori Finance Research Institute Co., Ltd.	-	-	2	1	-	-
	Woori Investment Bank Co., Ltd.	361	-	-	-	-	-
	Korea Credit Bureau Co., Ltd.	-	-	-	2,310	-	-
	Woori Service Networks Co., Ltd.	-	-	-	490	-	277
	Korea Finance Security Co., Ltd.	-	-	-	-	4	146
	Chin Hung International Inc.	-	-	-	-	12	-
	Total	427	997	240	152,677	16	34,167

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

	Related parties	December 31, 2019 Cash and cash equivalents	Receivables: Financial assets at amortized cost Gross carrying amount	Receivables: Financial assets at amortized cost Loss allowance	Other assets	Payables Borrowings	Payables Other liabilities
Parent	Woori financial group	-	305	-	-	-	37,754
Others	Woori Bank	52,635	17,609	(4)	2,199	4,631	14,117
	Woori Credit Information Co. Ltd.	-	142	-	-	-	1,240
	Woori Fund Service Co., Ltd.	-	58	-	-	-	-
	Woori FIS Co., Ltd.	-	491	-	-	-	3,045
	Woori Private Equity Co., Ltd.	-	39	-	-	-	-
	Woori Finance Research Institute Co., Ltd.	-	45	-	-	-	-
	Woori Investment Bank Co., Ltd.	50,000	279	-	41	-	-
	Korea Credit Bureau Co., Ltd.	-	3	-	-	-	-
	Woori Service Networks Co., Ltd.	-	23	(1)	-	-	26
	Korea Finance Security Co., Ltd	-	60	-	-	-	-
	Chin Hung International Inc.	-	244	(2)	-	-	1
	K BANK Co., Ltd.	-	141	-	-	-	-
	Total	102,635	19,439	(7)	2,240	4,631	56,183

	Related parties	December 31, 2018 Cash and cash equivalents	Receivables: Financial assets at amortized cost Gross carrying amount	Receivables: Financial assets at amortized cost Loss allowance	Other assets	Payables Borrowings	Payables Other liabilities
Parent	Woori Bank	78,490	11,428	(3)	3,088	4,485	14,961
Others	Woori Credit Information Co. Ltd.	-	88	-	-	-	1,040
	Woori Fund Service Co., Ltd.	-	41	-	-	-	-
	Woori FIS Co., Ltd.	-	559	-	-	-	3,911
	Woori Private Equity Co., Ltd.	-	28	-	-	-	-
	Woori Finance Research Institute Co., Ltd.	-	34	-	-	-	-
	Woori Investment Bank Co., Ltd.	50,000	180	-	23	-	-
	Korea Credit Bureau Co., Ltd.	-	7	-	-	-	-
	Woori Service Networks Co., Ltd.	-	69	-	-	-	-
	Korea Finance Security Co., Ltd	-	58	(4)	-	-	5
	Chin Hung International Inc.	-	241	(34)	-	-	14
	K BANK Co., Ltd.	-	185	-	-	-	-
	Total	128,490	12,918	(41)	3,111	4,485	19,931

(5) Major loan transactions with related parties are as follows (Unit: Korean won in millions):

	Related Parties	For the year ended December 31, 2019 Beginning balance	Increase	Decrease	Ending balance
Parent	Woori financial group	-	2,785	2,480	305
Others	Woori Bank	11,428	223,893	217,712	17,609
	Woori Credit Information Co. Ltd.	88	1,623	1,569	142
	Woori Fund Service	41	648	631	58
	Woori FIS Co., Ltd.	559	6,465	6,533	491
	Woori Private Equity Co., Ltd.	28	591	580	39
	Woori Finance Research Institute Co., Ltd.	34	401	390	45
	Woori Investment Bank Co., Ltd.	180	3,221	3,122	279
	Korea Credit Bureau Co., Ltd.	7	26	30	3
	Woori Service Networks Co., Ltd.	69	315	361	23
	Korea Finance Security Co., Ltd	57	626	623	60
	Chin Hung International Inc.	241	2,338	2,335	244
	K BANK Co., Ltd.	185	2,249	2,293	141

	Related Parties	For the year ended December 31, 2018 Beginning balance	Increase	Decrease	Ending balance
Parent	Woori Bank	11,088	216,989	216,649	11,428
Others	Woori Credit Information Co. Ltd.	123	1,602	1,637	88
	Woori Fund Service	40	571	570	41
	Woori FIS Co., Ltd.	511	6,258	6,210	559
	Woori Private Equity Co., Ltd.	18	379	369	28
	Woori Finance Research Institute Co., Ltd.	36	252	254	34
	Woori Investment Bank Co., Ltd.	168	2,549	2,537	180
	Korea Credit Bureau Co., Ltd.	6	54	53	7
	Woori Service Networks Co., Ltd.	45	422	398	69
	Korea Finance Security Co., Ltd	56	638	636	58
	Chin Hung International Inc.	408	2,269	2,436	241
	K BANK Co., Ltd.	212	2,073	2,100	185

(6) Details of borrowing transactions with the related parties are as follows (Unit: Korean won in millions):

	Related parties	December 31, 2019 Financing transactions Borrowings	Repayment
Others	Woori Bank (Singapore)	-	-

	Related parties	December 31, 2018 Financing transactions Borrowings (*)	Repayment
Parent	Woori Bank (Singapore)	4,485	-

(*) The present value discount is excluded.

(7) There are no significant equity transactions with the related parties for credit loss as of December 31, 2019 and 2018.

(8) Guarantees between the related parties as of December 31, 2019 and 2018, are as follows (Unit: Korean won in millions):

1) Guarantees provided to the related parties are as follows:

	Related parties	Warranty	December 31, 2019	December 31, 2018
Parent	Woori financial group	Loan commitment	495	-
Others	Woori Bank	Loan commitment	167,880	174,287
	Woori FIS Co., Ltd.	Loan commitment	1,109	1,154
	Woori Credit Information Co., Ltd.	Loan commitment	737	695
	Woori Private Equity Co., Ltd.	Loan commitment	161	172
	Woori Fund Service	Loan commitment	242	59
	Woori Finance Research Institute Co., Ltd.	Loan commitment	302	294
	Woori Investment Bank Co., Ltd.	Loan commitment	422	320
	Korea Credit Bureau Co., Ltd	Loan commitment	32	28
	Woori Service Networks Co., Ltd.	Loan commitment	177	131
	Korea Finance Security Co., Ltd.	Loan commitment	200	203
	Chin Hung International Inc.	Loan commitment	306	309
	K BANK Co., Ltd.	Loan commitment	159	15

2) Guarantees received from related parties

Unused commitments received from Woori Bank as of December 31, 2019 and 2018, are ₩500,000 million respectively.

(9) Details of derivative assets and commitment amount related to the liabilities with related parties are as follows (Unit: Korean won in millions):

Related parties		December 31, 2019	December 31, 2018
Woori Bank	Unsettled commitment	100,000	100,000

(10) The Group has the responsibility to jointly reimburse Woori Bank for the debts of Woori Bank prior to the split.

35. CONSOLIDATED STATEMENTS OF CASH FLOWS:

(1) Major transactions without cash inflows and outflows are as follows (Unit: Korean won in millions):

	For the year ended December 31	
	2019	2018
Changes in other comprehensive income related to valuation of financial assets at FVTOCI	(2,918)	(58)
Changes in other comprehensive income related to remeasurement of defined benefit plans	1,385	(1,737)
Changes in other comprehensive income related to valuation loss on cash flow hedge	(2,528)	(5,730)
Changes in other comprehensive income related to foreign currency translation of foreign operations	1,273	(320)

(2) Changes in liabilities arising from financial activities are as follows (Unit: Korean won in millions):

	For the year ended December 31, 2019						
			Not involving cash inflows and outflows				
Classification	Beginning balance	Cash flow	Foreign exchange	Amortization	Variation of gains on valuation	New contract and others	Ending balance
Debentures	7,039,929	1,455	30,961	3,623	-	-	7,075,968
Derivative liabilities	33,491	(5,520)	-	-	(30,498)	-	(2,527)
Lease liabilities	33,109	(10,649)	-	842	-	4,392	27,694

	For the year ended December 31, 2018				
			Not involving cash inflows and outflows		
Classification	Beginning balance	Cash flow	Foreign exchange	Amortization	Ending balance
Borrowings	-	3,839	646	-	4,485
Debentures	6,121,803	887,802	26,951	3,373	7,039,929

36. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS:

The consolidated financial statements of the Group were approved for the issuance on February 6, 2020, by the Board of Directors, and the final approval will be made in the annual general shareholders’ meeting on March 20, 2020.

Deloitte.

Deloitte Anjin LLC
9F., One IFC,
10, Gukjegeumyung-ro,
Youngdeungpo-gu, Seoul
07326, Korea

Tel: +82 (2) 6676 1000
Fax: +82 (2) 6674 2114
www.deloitteanjin.co.kr

INDEPENDENT AUDITORS' REPORT

English Translation of a Report Originally Issued in Korean on March 18, 2019

To the Shareholders and the Board of Directors of Woori Card Co. Ltd.

Report on the Audited Consolidated Financial Statements

Our Opinion

We have audited the accompanying consolidated financial statements of Woori Card Co. Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRSs").

Basis for Audit Opinion

We conducted our audits in accordance with the Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in the Republic of Korea as required by prevailing audit regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The comparative consolidated financial statements, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2017, of the Group were audited by Ernst & Young Hanyoung in accordance with K-IFRSs. The audit report shows unqualified opinion, issued on March 5, 2018. The consolidated financial statements that were audited do not include the adjustments described in Note 37, but the comparative consolidated financial statements, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended December 31, 2017, include the adjustments.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with K-IFRSs, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management of the Group is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting, unless management either intends to liquidate the Group, or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Deloitte.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that my cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee of the Group regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Anjin LLC

March 18, 2019

Notice to Readers

This report is effective as of March 18, 2019, the auditors’ report date. Certain subsequent events or circumstances may have occurred between the auditors’ report date and the time the auditors’ report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditors’ report.

Ernst & Young Han Young
Taeyoung Building, 111, Yeouigongwon-ro,
Yeongdeungpo-gu, Seoul 07241 Korea

Tel: +82 2 3787 6600
Fax: +82 2 783 5890
ey.com/kr

Independent auditors' report

The Board of Directors and the Shareholder
Woori Card Co., Ltd.

We have audited the accompanying consolidated financial statements of Woori Card Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2017, and its financial performance and cash flows for the year then ended in accordance with Korean International Financial Reporting Standards.
Other matter

The consolidated financial statements of the Group as at December 31, 2016 and for the year then ended were audited by Deloitte Anjin LLC who expressed an unqualified opinion on those statements on March 3, 2017.

Ernst & Young Han Young

March 5, 2018

This audit report is effective as at March 5, 2018, the independent auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditors' report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

WOORI CARD CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

	December 31, 2018 (*)	December 31, 2017 (*)
	(Korean won in millions)	
ASSETS		
Cash and cash equivalents (Notes 5 and 35)	362,202	626,061
Financial assets at FVTOCI (Notes 6 and 9)	87,753	-
AFS financial assets (Notes 6 and 9)	-	87,633
Financial assets at amortized cost (Notes 4, 7, 8, 9, 33 and 34)	9,425,657	-
Loans and receivables (Notes 4, 7, 8, 9, 33 and 34)	-	7,793,507
Premises and equipment (Note 10)	22,565	20,193
Intangible assets (Note 11)	35,768	33,856
Deferred tax assets (Notes 30 and 37)	32,382	28,049
Derivative assets (Notes 4, 9 and 16)	263	1,193
Net defined benefit assets (Notes 15 and 34)	343	1,487
Other assets (Notes 12 and 34)	20,467	19,259
Total assets	9,987,400	8,611,238
LIABILITIES		
Borrowings (Notes 4, 9, 13, 34 and 35)	4,485	-
Debentures (Notes 4, 9, 13 and 35)	7,039,929	6,121,803
Provisions (Notes 14 and 32)	55,042	41,964
Current tax liabilities (Note 30)	23,623	13,485
Derivative liabilities (Notes 4, 9 and 16)	33,754	55,651
Other financial liabilities (Notes 4, 9 and 17)	1,014,051	626,044
Other liabilities (Notes 17, 34 and 37)	134,552	131,771
Total liabilities	8,305,436	6,990,718
EQUITY		
Owners' equity:		
Capital stock (Note 18)	896,331	896,331
Capital surplus (Note 18)	127,097	127,097
Other equity (Note 19)	24,292	32,542
Retained earnings (Notes 20 and 21)	634,244	564,550
(Regulatory reserves for credit loss as of December 31, 2018, and December 31, 2017, are ₩403,277 million and ₩342,131 million, respectively. Planned provisions for regulatory reserve for credit loss as of December 31, 2018, and December 31, 2017, are ₩(-)16,096 million and ₩61,146 million, respectively.)		
Non-controlling interests	-	-
Total equity	1,681,964	1,620,520
Total liabilities and equity	9,987,400	8,611,238

(*) The consolidated statement of financial position as of December 31, 2018, was prepared in accordance with K-IFRS 1109; however, the comparative consolidated statement of financial position as of December 31, 2017, was not retrospectively restated in accordance with K-IFRS 1109.

See accompanying notes

WOORI CARD CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018 (*)	2017 (*)
	(Korean won in millions, except for per share data)	
Interest income	668,906	599,550
Interest expense	(161,116)	(135,947)
Net interest income (Notes 22 and 34)	507,790	463,603
Fees and commissions income	612,109	1,061,812
Fees and commissions expense	(599,811)	(1,031,375)
Net fees and commissions income (Notes 23, 34, 36 and 37)	12,298	30,437
Dividend income (Note 24)	10,154	8,709
Net gain on financial instruments at FVTPL (K-IFRS 1109) (Note 25)	2,749	-
Net gain on financial instruments at FVTPL (K-IFRS 1039) (Note 25)	-	1,514
Net gain on AFS financial assets (K-IFRS 1039) (Note 26)	-	254
Impairment losses due to credit loss (Notes 27 and 34)	244,762	221,863
General and administrative expenses (Note 28)	170,765	163,536
Other net operating income (expenses) (Notes 28 and 34)	49,308	3,744
Operating income	166,772	122,862
Non-operating income (expenses) (Note 29)	(259)	(780)
Net income before income tax expense	166,513	122,082
Income tax expense (Notes 30 and 37)	39,979	29,348
Net income (After the provision of regulatory reserves for credit loss for the years ended December 31, 2018 and 2017, net income is ₩81,908 million and ₩31,588 million, respectively.) (Note 21)	126,534	92,734

(Continued)

WOORI CARD CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(CONTINUED)

	2018 (*)	2017 (*)
	(Korean won in millions, except for per share data)	
Remeasurement of the net defined benefit liability	(1,125)	310
Items that will not be reclassified to profit or loss	(1,125)	310
Net gain on valuation of financial assets at FVTOCI	1,531	-
Net gain on valuation of AFS financial assets	-	4,808
Cash flow hedging gains or losses on valuation of derivatives	(5,370)	1,822
Gain (loss) on foreign currency translation of foreign operations	(224)	(212)
Items that may be reclassified to profit or loss	(7,125)	6,418
Other comprehensive income, net of tax	(8,250)	6,108
Total comprehensive income	118,284	98,842
Net income attributable to:	126,534	92,734
Owners	126,534	92,734
Non-controlling interests	-	-
Total comprehensive income attributable to:	118,284	98,842
Owners	118,284	98,842
Non-controlling interests	-	-
Net income per share (in Korean won) (Note 31)		
Basic earnings per common share and diluted earnings per common share	706	530

(*) The consolidated statement of comprehensive income for the year ended December 31, 2018, was prepared in accordance with K-IFRS 1109; however, the comparative consolidated statement of comprehensive income for the year ended December 31, 2017, was not retrospectively restated in accordance with K-IFRS 1109.

See accompanying notes

WOORI CARD CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Capital stock	Capital surplus	Other equity	Retained earnings	Controlling interests	Non-controlling interests	Total
	(Korean won in millions)						
January 1, 2017	846,331	77,345	26,435	475,104	1,425,215	-	1,425,215
Revision of consolidated financial statements as of December 31, 2017 (Note 37)	-	-	-	(3,288)	(3,288)	-	(3,288)
Increase in capital	50,000	49,752	-	-	99,752	-	99,752
Net income	-	-	-	92,734	92,734	-	92,734
Net gain on valuation of AFS financial assets	-	-	4,808	-	4,808	-	4,808
Remeasurement of the net defined benefit liability	-	-	(310)	-	(310)	-	(310)
Cash flow hedging gains or losses on valuation of derivatives	-	-	1,822	-	1,822	-	1,822
Loss on foreign currency translation of foreign operations	-	-	(213)	-	(213)	-	(213)
December 31, 2017 (*)	896,331	127,097	32,542	564,550	1,620,520	-	1,620,520
January 1, 2018	896,331	127,097	32,542	564,550	1,620,520	-	1,620,520
Cumulative effect of change in accounting policy (Note 2)	-	-	-	(56,840)	(56,840)	-	(56,840)
Adjusted balance, beginning of year	896,331	127,097	32,542	507,710	1,563,680	-	1,563,680
Net income	-	-	-	126,534	126,534	-	126,534
Net gain on valuation of financial assets at FVTOCI	-	-	(1,531)	-	(1,531)	-	(1,531)
Remeasurement of the net defined benefit liability	-	-	(1,125)	-	(1,125)	-	(1,125)
Cash flow hedging gains or losses on valuation of derivatives	-	-	(5,370)	-	(5,370)	-	(5,370)
Gain on foreign currency translation of foreign operations	-	-	(224)	-	(224)	-	(224)
December 31, 2018 (*)	896,331	127,097	24,292	634,244	1,681,964	-	1,681,964

(*) The consolidated statement of changes in equity for the year ended December 31, 2018, was prepared in accordance with K-IFRS 1109; however, the comparative consolidated statement of changes in equity for the year ended December 31, 2017, was not retrospectively restated in accordance with K-IFRS 1109.

See accompanying notes

WOORI CARD CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018 (*)	2017 (*)
	(Korean won in millions)	
Cash flows from operating activities:		
Adjustments to net income:		
Net income	126,534	92,734
Income tax expense	39,979	29,348
Dividend income	(10,154)	(8,709)
Interest income	(668,906)	(599,550)
Interest expense	161,116	135,947
	(351,431)	(350,230)
Additions of expenses not involving cash outflows:		
Impairment losses due to credit loss	244,762	221,863
Impairment loss on AFS financial assets		16
Depreciation	6,158	5,666
Disposal loss on tangible assets	24	115
Amortization	5,320	3,850
Disposal loss on intangible assets	27	-
Impairment loss on intangible assets	-	116
Loss on valuation of derivatives	-	56,585
Retirement benefits	4,744	4,382
Transfer to provision for credit card point	-	16,745
Credit card point income	-	1,454
Transfer to other provisions	390	378
Loss on translation of foreign currency	27,597	-
	289,022	311,170
Deductions of revenues not involving cash inflows:		
Gain on disposal of financial instruments at FVTPL	2,749	-
Gain on disposal of AFS financial assets	-	270
Gain on impairment loss on intangible assets	270	-
Gain on valuation of derivatives	26,698	128
Gain on transfer to other provisions	59	13
Gain on translation of foreign currency	-	56,621
	29,776	57,032
Changes in operating assets and liabilities:		
Financial assets at amortized cost	(1,932,487)	-
Loans and receivables	-	(947,103)
Other assets	(1,209)	(16,264)
Provision	(467)	(12,497)
Net defined benefit liability	(5,336)	(6,748)
Other financial liabilities	386,943	(64,441)
Other liabilities	(3,341)	9,471
	(1,555,897)	(1,037,582)

(Continued)

WOORI CARD CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(CONTINUED)

	2018 (*)	2017 (*)
	(Korean won in millions)	
Cash received from (paid for) operating activities:		
Income tax paid	(16,431)	(29,701)
Dividend received	10,154	8,709
Interest income received	670,382	586,049
Interest expense paid	(156,205)	(133,029)
	507,900	432,028
Net cash used in operating activities	(1,140,182)	(701,646)
Cash flows from investing activities:		
Cash inflows from investing activities:		
Disposal of financial instruments at FVTPL	941	-
Disposal of AFS financial assets	-	601
Disposal of intangible assets	1,470	-
Decrease of guarantee deposits	495	-
	2,906	601
Cash outflows for investing activities:		
Acquisition of financial assets at FVTOCI	178	-
Acquisition of AFS financial assets	-	24
Acquisition of premises and equipment	8,586	8,176
Acquisition of intangible assets	8,458	13,173
Increase of guarantee deposits	1,002	-
	18,224	21,373
Net cash used in investing activities	(15,318)	(20,772)
Cash flows from financing activities:		
Cash inflows from financing activities:		
Increase in capital	-	99,752
Increase in borrowings	3,839	15,000
Issuance of debentures	16,207,802	9,638,745
	16,211,641	9,753,497
Cash outflows for financing activities:		
Repayment of borrowings	-	15,000
Repayment of debentures	15,320,000	8,780,000
	15,320,000	8,795,000
Net cash provided by financing activities	891,641	958,497
Effects of exchange rate changes on cash and cash equivalents	-	(160)
Net increase (decrease) in cash and cash equivalents	(263,859)	235,919
Cash and cash equivalents at the beginning of year	626,061	390,142
Cash and cash equivalents at the end of year (Note 5)	362,202	626,061

(*) The consolidated statement of cash flows for the year ended December 31, 2018, was prepared in accordance with K-IFRS 1109; however, the comparative consolidated statement of cash flows for the year ended December 31, 2017, was not retrospectively restated to apply K-IFRS 1109.

See accompanying notes

2. GENERAL:

(1) Summary of the parent company

Woori Card Co., Ltd. (the "Company" or "Parent company"), which is a controlling entity in accordance with Korean International Financial Reporting Standards ("K-IFRSs") 1110 – *Consolidated Financial Statements*, was incorporated on April 1, 2013, as a result of spin-off from Woori Bank. The Company was established for the purpose of engaging in credit card business, and the Company started its business after the completion of the registration process on April 1, 2013. The Company is engaged in credit sales business under the Specialized Credit Financial Business Act of Korea, cash advance services, card loan services and others. The Company is subject to the laws, regulations and ordinance of the Specialized Credit Financial Business Act. The Company's headquarters is located at Junghak-dong, Jung-gu, Seoul, Korea.

As of December 31, 2018, the Company maintains approximately ₩12.80 million of credit card and debit card members. Woori Bank holds 100% ownership of the Company as of December 31, 2018.

(2) The consolidated financial statements of Woori Card and subsidiaries (the "Group") include the following subsidiaries:

Subsidiaries	Location	Main business	Percentage of ownership (%) December 31, 2018	Percentage of ownership (%) December 31, 2017	Financial statements as of
TUTU Finance-WCI Myanmar Co., Ltd.	Myanmar	Finance	100.0	100.0	December 31, 2018
Woori Card 2017-1 Asset Securitization Specialty Co., Ltd. (*)	Korea	Asset securitization	0.5	0.5	December 31, 2018
Woori Card 2017-2 Asset Securitization Specialty Co., Ltd. (*)	Korea	Asset securitization	0.5	0.5	December 31, 2018
Woori Card 2018-1 Asset Securitization Specialty Co., Ltd. (*)	Korea	Asset securitization	0.5	-	December 31, 2018

(*) Ownership ratio is less than half, but it has control because it is significantly exposed to the variable return of the investee and its power to determine the performance affects the variable return of the investee.

(3) The summarized financial information before the elimination of intercompany transactions of the subsidiaries whose financial information was prepared under K-IFRSs for the Group's consolidated financial statements is as follows (Unit: Korean won):

	December 31, 2018 (Korean won in millions)			
Subsidiaries	Assets	Liabilities	Operating gains	Net gains and losses attributable to owners
TUTU Finance-WCI Myanmar Co., Ltd.	12,583	5,502	1,652	(346)
Woori Card 2017-1 Asset Securitization Specialty Co., Ltd.	361,312	361,239	6,702	-
Woori Card 2017-2 Asset Securitization Specialty Co., Ltd.	337,764	341,334	7,503	-
Woori Card 2018-1 Asset Securitization Specialty Co., Ltd.	300,079	300,079	1,030	-

Subsidiaries	December 31, 2017 (Korean won in millions) Assets	Liabilities	Operating gains	Net gains and losses attributable to owners
TUTU Finance-WCI Myanmar Co., Ltd.	2,297	135	220	(349)
Woori Card 2017-1 Asset Securitization Specialty Co., Ltd.	361,273	359,864	6,371	-
Woori Card 2017-2 Asset Securitization Specialty Co., Ltd	337,739	338,371	1,100	-

2. SIGNIFICANT BASIS OF PREPARATION AND ACCOUNTING POLICIES:

(1) Basis of preparation

The Group's consolidated financial statements are prepared in accordance with K-IFRSs.

The significant accounting policies applied in the preparation of the consolidated financial statements as of and for the year ended December 31, 2018, are stated below, and the accounting policies applied are identical to the ones used in the preparation of previous-period's consolidated financial statements, except for the effects of adopting new standards or interpretations as explained below.

The consolidated financial statements are prepared at the end of each reporting period on the historical cost basis, except for certain non-current assets and financial assets that are either revalued or measured in fair value. Historical cost is generally measured at the fair value of the consideration given to acquire assets.

Fair value is the price that will be paid when the asset is sold or the liability is transferred in a normal transaction between market participants at the measurement date, whether the price is directly observable or whether it is valued using valuation techniques. In estimating the fair value of an asset or liability, the Group considers the nature of the asset or liability that the market participant considers in determining the cost of the asset or liability at the measurement date. Based on the share-based payment transactions included in the scope of K-IFRS 1102 'Share-Based Payment', the lease transactions included in the scope of the 'Lease' of K-IFRS 1017, the net realized value included in the scope of the 'Inventory Assets' of K-IFRS 1002 and the value in use included in the scope of the 'Impairment of Assets' of K-IFRS 1036, except for those measures that are partially similar to fair value, but are not fair value, such as the net realizable value of an asset or the use value of an asset impairment, and the use value of an asset impairment, in accordance with the principles described above will be determined.

1) The Group has newly adopted the following adoption of K-IFRSs that affected its accounting policies:

- Adoption to K-IFRS 1109 – *Financial Instruments* (enacted)

  The Group initially applied K-IFRS 1109 and related amendments made to other standards during the current period, with January 1, 2018, as the date of initial application. K-IFRS 1109 introduces new rules on 1) classification and measurement of financial assets and financial liabilities, 2) impairment of financial assets and 3) hedge accounting. Additionally, the Group adopted consequential amendments to K-IFRS 1107 Financial Instruments: Disclosures that were applied to the disclosures for 2018.

  The Group decided not to restate the prior-period figures when applying the standard for the first time and as such, the comparative consolidated financial statements are not restated.

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

a) Classification and measurement of financial assets and financial liabilities

All financial assets included in the scope of K-IFRS 1109 are subsequently measured at amortized cost or fair value based on the Group's business model for the management of financial assets and the nature of the contractual cash flows of the financial assets.

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

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

All other debt instruments and equity instruments are measured at their fair value at the end of subsequent accounting periods, and any change in the fair value is recognized as profit or loss (financial assets at fair value through profit or loss ("FVTPL").

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

The Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of this standard that is neither held for trading nor a contingent consideration recognized by an acquirer in a business combination to which K-IFRS 1103 applies.

At initial recognition, financial assets at amortized cost or FVTOCI may be irrevocably designated as financial assets at FVTPL, mandatorily measured at fair value if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

As of the date of first adoption of K-IFRS 1109, there are no debt instruments classified either as financial assets at amortized cost or FVTOCI that are designated as financial assets at FVTPL.

When debt instruments measured at FVTOCI are derecognized, the cumulative gain or loss recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. On the other hand, for equity instruments designated as financial assets at FVTOCI, cumulative gains or losses previously recognized in other comprehensive income are subsequently reclassified to retained earnings. Debt instruments measured subsequently at amortized cost or at FVTOCI are subject to impairment.

Subsequent amortization and other comprehensive income - debt instruments measured as fair value items are eligible for impairment.

Management has reviewed and assessed the financial assets held by the Group based on the facts and circumstances that existed at the date of initial application and, as a result of the initial application of K-IFRS 1109, management has determined that the following effects will occur:

Debt securities classified as available-for-sale ("AFS") financial assets in accordance with K-IFRS 1039 are held under a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the debt securities with contractual cash flows consisting solely payments of principal and interest on the principal amount outstanding are classified as financial assets at FVTOCI. Changes in the fair value of these debt securities are recognized as accumulated gain or loss until they are eliminated or reclassified.

Investments in equity securities classified as AFS financial assets in accordance with K-IFRS 1039 and measured at fair value at the end of each reporting period (neither held for trading nor a contingent consideration arising from business combinations) are designated as FVTPL. Changes in the fair value of these equity securities are recognized as accumulated gain or loss.

There is no change in the measurement of equity instruments corresponding to short-term trading items. Such financial instruments are measured at FVTPL - fair value measurement financial instruments.

In accordance with K-IFRS 1039, held-to-maturity financial assets and financial assets classified as loans and receivables are held under a business model whose objective is collecting contractual cash flows, and the financial assets consisting solely payments of principal and interest on the principal amount outstanding are measured at amortized cost under K-IFRS 1109.

Changes in the classification of financial assets under K-IFRS 1109 are described in Note 5.

Other reclassifications of financial assets do not affect the Group’s financial position, profit or loss, other comprehensive income or comprehensive income.

b) Impairment of financial assets

The impairment model under K-IFRS 1109 reflects expected credit losses, as opposed to incurred credit losses under International Accounting Standard 39. Under the impairment approach in K-IFRS 1109, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, the Group accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group recognizes a loss allowance at an amount equal to expected credit losses of the following items: i) financial instruments that are subsequently measured at either amortized cost or FVTOCI, ii) lease receivables, iii) contract assets and iv) loan commitments and financial guarantee contracts, which are subject to the impairment requirements of K-IFRS 1109. Specifically, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime-expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition or the financial asset is credit impaired on initial recognition. Meanwhile, if the credit risk of a financial instrument does not increase significantly after initial recognition (excluding financial asset whose credit is impaired when it is acquired), the Group measures the loss allowance on financial instruments as an amount equivalent to the expected 12-month credit loss. In addition, K-IFRS 1109 proposes a simplified approach for trade receivables, contract assets and lease receivables, proposing that the loss allowance should be measured at an amount equal to lifetime-expected credit losses in some situations. The Group did not apply the simplified approach to measure the loss allowance.

Management determines the credit risk at the date of initial recognition of the financial instrument in accordance with K-IFRS 1109 and provides a reasonable and supportive measure that can be used without undue cost or effort in comparison with the credit risk of the initial application date (January 1, 2018). The Group uses information that could be used to assess the impairment of its financial assets, lending arrangements and financial guarantees at the date of initial application. As of January 1, 2018, the application results are as follows (Unit: Korean won in millions):

	Additional loss allowance under K-IFRS 1109
Due from banks (Note 1)	-
Loans (Note 2)	4,683
Credit card assets (Note 2)	49,387
Capital finance receivables (Note 2)	883
Finance lease receivables (Note 2)	268
Other loans and receivables (Note 2)	312
Provisions for unused commitments (Note 2)	19,455
Total	74,988

(Note 1) Due to deposits in financial institutions with high credit ratings, the credit risk is low.

(Note 2) It corresponds to the main business-related bonds or unused contracts, and the expected credit loss of 12 months or expected credit loss of the whole period was recognized depending on the debtor's credit rating and delinquency.

As of January 1, 2018, the provision for additional loss amounting to ₩74,988 million has been reflected as a reduction of retained earnings amounting to ₩56,840 million after deducting deferred income tax effect of ₩18,148 million. The allowance for additional losses is presented as a deduction from the related asset or a liability for an unused commitment. Other comprehensive income (loss) provision for debt instruments measured at fair value is added to or subtracted from accumulated gain or loss. Note 2 (1).5) describes the details of the adjustment.

The difference between provisions for doubtful accounts under K-IFRS 1039 and guarantees under K-IFRS 1037 as of January 1, 2018, and loss allowance under K-IFRS 1109 is as follows: They are disclosed in each note.

In accordance with the amendments to K-IFRS 1107, the disclosure requirements for the total exposure of credit risk on the Group’s consolidated financial statements have increased.

c) Classification and measurement of financial liabilities

One of the major changes related to the classification and measurement of financial liabilities as a result of the adoption of K-IFRS 1109 is the accounting for change in the fair value of financial liabilities designated at FVTPL due to the changes in issuer’s own credit risk. The Group recognizes the effect of changes in the credit risk of financial liabilities designated as at FVTOCI in other comprehensive income, except for cases where it creates or enlarges accounting mismatch of the profit or loss. Changes in fair value due to credit risk of financial liabilities are not subsequently reclassified to profit or loss, but are reclassified as retained earnings when financial liabilities are derecognized.

In accordance with K-IFRS 1039, the entire changes in fair value of financial liabilities designated as at FVTPL are recognized in profit or loss.

Except for the above, the adoption of K-IFRS 1109 has no significant impact on the classification and measurement of financial liabilities.

d) General hedge accounting

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

In accordance with the transitional provisions of K-IFRS 1109 on hedge accounting, the Group adopted the hedge accounting provisions of K-IFRS 1109 prospectively from January 1, 2018. As of the date of initial application, the Group has considered that the hedging relationship in accordance with K-IFRS 1039 is appropriate for hedge accounting under K-IFRS 1109; thus, the hedging relationship is considered to exist continually. Since the major conditions for hedging instruments and the hedged items are consistent, all hedging relationships are consistent with the effectiveness assessment requirements of K-IFRS 1109. The Group has not designated a hedging relationship as such in accordance with K-IFRS 1109 in which the hedge relationship would not have met the requirements for hedge accounting under K-IFRS 1039.

Except for the above, there is no impact from the requirements of K-IFRS 1109 on the financial position and performance of the Group. The Group's risk management activities are described in Note 4.

e) Disclosures related to the first application date of K-IFRS 1109

There are no financial assets or financial liabilities that the Group has previously designated as a gain or loss in accordance with K-IFRS 1039. There are also no financial assets or financial liabilities designated as at FVTPL at the date of the first application of K-IFRS 1109.

The classification and measurement of financial assets and financial liabilities in accordance with K-IFRS 1109 and K-IFRS 1039 as of January 1, 2018, are as follows (Unit: Korean won in millions):

	Categories		Carrying amount		
	Classification according to K-IFRS 1039	Classification according to K-IFRS 1109	K-IFRS 1039	Under K-IFRS 1109 cumulative additional loss reserve	K-IFRS 1109
Unlisted equity securities (Note 1)	AFS financial assets	FVTOCI	87,602	-	87,602
Other equity investments (Note 1)	AFS financial assets	FVTOCI	31	-	31
Due from banks	Loans and receivables	Financial assets at amortized cost	20,003	-	20,003
Loans	Loans and receivables	Financial assets at amortized cost	260,650	4,683	255,967
Credit card assets	Loans and receivables	Financial assets at amortized cost	6,648,450	49,387	6,599,063
Capital finance receivables	Loans and receivables	Financial assets at amortized cost	555,001	883	554,118
Finance lease receivables	Loans and receivables	Financial assets at amortized cost	60,083	268	59,815
Other loans and receivables	Loans and receivables	Financial assets at amortized cost	249,320	312	249,008
Debentures	Amortized cost measurement financial liabilities	Financial liabilities at amortized cost	6,121,803	-	6,121,803
Provisions for unused commitments	Provisions	Provisions	29,805	19,455	49,260
Provisions for guarantees	Provisions	Provisions	3	-	3
Other financial liabilities	Amortized cost measurement financial liabilities	Financial liabilities at amortized cost	626,044	-	626,044

(Note 1) Unlisted equity securities and other equity investments in AFS financial assets are classified as FVTOCI by applying irrevocable option at the first adoption date.

The provision for additional loss on the initial application of K-IFRS 1109 is due to a change in the measurement of loss provision related to each financial asset. No financial assets or financial liabilities designated as financial assets at FVTPL in accordance with K-IFRS 1039 are subject to reclassification, and there are no financial assets or financial liabilities that the Group elected to reclassify as a result of applying K-IFRS 1109. There are no financial assets or financial liabilities designated at FVTPL - fair value at the date of initial application of K-IFRS 1109.

- Adoption of K-IFRS 1115 – Revenue from Contracts with Customers (enacted)

The Group adopted K-IFRS 1115 for the first time and decided to retrospectively apply the cumulative effect of the first application of K-IFRS 1115 as of January 1, 2018. In addition, the standard has been retrospectively applied only to contracts that are not completed on the date of initial application, and all contractual changes made prior to the first application date are not rewritten.

Unit: Korean won in millions

(Note 1)	Existing revenue recognition standard	Adjustments	K-IFRS 1115
Card point provision	6,122	(6,122)	-
Other liabilities	-	6,122	6,122

(Note 1) K-IFRS 1115 has been applied to the points paid to the card members and the existing point liabilities are classified as other liabilities.

In addition, the Group decided not to restate the prior periods when applying K-IFRS 1115 for the first time. Accordingly, the Group has not retrospectively restated the comparative consolidated financial statements presented herein.

- Amendments to K-IFRS 1102 – Classification and Measurement of Share-Based Payment Transactions

The amendments clarify that 1) when measuring the fair value of share-based payment, the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment should be consistent with the measurement of equity-settled share-based payment; 2) when an entity has an obligation to pay the employee's withholding tax to the tax authority for the employee's equity-settled share-based payment, the transaction shall be classified in its entirety as an equity-settled share-based payment transaction if it would have been classified in the absence of the net settlement feature; and 3) when a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions, the original liability recognized is derecognized and the equity-settled share-based payment is recognized at the modification-date fair value. Any difference between the carrying amount of the liability at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately. The amendments have no impact on the Group's consolidated financial statements.

- Amendments to K-IFRS 1040 – Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in K-IFRS 1040 are not exhaustive and that a change in use is possible for properties under construction (i.e., a change in use is not limited to completed properties). The amendments have no impact on the Group's consolidated financial statements.

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

K-IFRS 2122 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income (or part of them) when consideration for that item has been paid or received in advance in a foreign currency, which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g., a non-refundable deposit or deferred revenue).

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

Because the Group already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments, the amendments have no impact on the

Group's consolidated financial statements.

- Annual Improvements to K-IFRS 2014-2016 Cycle

The amendments include partial amendments to K-IFRS 1101 'First-Time Adoption of K-IFRS' and K-IFRS 1028 'Investments in Associates and Joint Ventures.' Amendments to K-IFRS 1028 provide that an investment company, such as a venture capital investment vehicle, may selectively designate each of its investment in associates and/or joint ventures to be measured at FVTPL, and that such designation must be made at the time of each investment's initial recognition. In addition, when non-investment companies apply equity method to investment in associates and/or joint ventures that are investment companies, these companies may apply the same fair value measurement used by the said associates to value their own subsidiaries. This accounting treatment may be selectively applied to each associate.

The amendments have no impact on the Group's consolidated financial statements as it is neither a first-time adopter of K-IFRS nor a venture capital organization. Furthermore, the Group does not have any associate or joint venture that is an investment company.

The effect of changes in accounting policies on the consolidated financial statements is as follows (Unit: Korean won in millions):

	January 1, 2018		
	Before change	Adjustments	After change
I. Assets			
1. Cash and cash equivalents	626,061	-	626,061
2. Financial assets at FVTOCI (Note 2)	-	87,633	87,633
3. AFS financial assets (Note 2)	87,633	(87,633)	-
4. Financial assets at amortized cost (Note 3)	-	7,737,974	7,737,974
5. Loans and receivables (Note 3)	7,793,507	(7,793,507)	-
6. Premises and equipment	20,193	-	20,193
7. Intangible assets	33,856	-	33,856
8. Deferred tax assets (Note 5)	28,049	18,148	46,197
9. Derivative assets	1,193	-	1,193
10. Net defined benefit assets	1,487	-	1,487
11. Other assets	19,259	-	19,259
Total assets	8,611,238	(37,385)	8,573,853
II. Liabilities			
1. Debentures	6,121,803	-	6,121,803
2. Provisions (Notes 3 and 4)	41,964	13,333	55,297
3. Current tax liabilities	13,485	-	13,485
4. Derivative liabilities	55,651	-	55,651
5. Other financial liabilities	626,044	-	626,044
6. Other liabilities (Note 4)	131,771	6,122	137,893
Total liabilities	6,990,718	19,455	7,010,173
III. Equity			-
1. Owners' equity	1,620,520	(56,840)	1,563,680
(1) Capital stock	896,331	-	896,331
(2) Capital surplus	127,097	-	127,097
(3) Other equity	32,542	-	32,542
(4) Retained earnings	564,550	(56,840)	507,710
2. Non-controlling interests	-	-	-

Total equity	1,620,520	(56,840)	1,563,680
Total liabilities and equity	8,611,238	(37,385)	8,573,853

(Note 1) The consolidated financial statements are the financial statements after adjusting the reconciliations described in the accompanying Note 37.

(Note 2) In accordance with K-IFRS 1109, unlisted equity securities and other equity investments in AFS financial assets are designated as other comprehensive income-fair value measurement using the irrevocable option at the date of initial application.

(Note 3) In accordance with K-IFRS 1109, the Group recognizes provision for additional losses on financial assets and unused reserve deposits held by the Group at the date of initial application and classifies loans and receivables as financial assets at amortized cost.

(Note 4) K-IFRS 1115 has been applied to the points paid to the card members and the existing point liabilities are classified as other liabilities.

(Note 5) Income tax effects from changes in accounting policies are reflected.

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

- K-IFRS 1116 – Leases (enacted)

K-IFRS 1116 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. K-IFRS 1116 will supersede the current lease guidance, including K-IFRS 1017, Leases and the related interpretations, and will be applied to periods beginning on or after January 1, 2019.

K-IFRS 1116 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting and are replaced by a model where a right-of-use asset and corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low-value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid on that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under K-IFRS 1017 are presented as operating cash flows; whereas, under the K-IFRS 1116 model, the lease payments will be split into a principal and an interest portion that will be presented as financing and operating cash flows, respectively.

In contrast to lessee accounting, K-IFRS 1116 substantially carries forward the lessor accounting requirements in K-IFRS 1017, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Also, K-IFRS 1116 requires expanded disclosures.

According to the preliminary assessment of the Group, the lease agreements entered into by the Group as of December 31, 2018, are expected to meet the definition of lease under the standard, and accordingly, if the Group adopts the standard, it applies to all leases, except for short-term leases and leases of low-value assets, and the Group will recognize the right-of-use assets and related liabilities accordingly. As a result of an analysis of the impact on the consolidated financial statements, the Group expects right-of-use asset and lease liability to increase by ₩32,787 million and ₩32,444 million, respectively, as of December 31, 2018.

On the other hand, the Group believes that the application of the standard would have a significant effect on the amount recognized in the consolidated financial statements. The Group is currently analyzing the potential impact of this standard as of December 31, 2018.

- Amendments to K-IFRS 1109 – Financial Instrument

This amendment clarifies that when the moderate repayment characteristics meet the requirements of contractual cash flows consisting solely of interest on principal and balance of principal, regardless of whether or not it is possible to pay or receive reasonable compensation. In other words, it does not automatically meet the contractual cash flow requirements, which consist solely of interest on principal and principal balance, due to the nature of the redemption that accompanies negative rewards. These amendments are effective for annual periods beginning on or after January 1, 2019, but are subject to early adoption.

- Amendments to K-IFRS 1028 – Investments in Associates and Joint Ventures

The amendments clarify that K-IFRS 1109 (including the impairment provisions) should be applied to the long-term investment. When applying K-IFRS 1109 to the long-term investment, the adjustment to the carrying amount pursuant to K-IFRS 1028 (i.e., adjustments to the carrying amount of long-term investment as a result of allocating or assessing the loss of the investee in accordance with K-IFRS 1028). These amendments are effective retrospectively from the annual period beginning on or after January 1, 2019, and are subject to early adoption.

- Annual Improvements to K-IFRS 2015-2017 Cycle

This amendment is part of the amendments to K-IFRS 1012 Income Tax, K-IFRS 1023, Borrowing Costs, K-IFRS 1103 Business Combinations and K-IFRS 1111 Joint Arrangements.

(A) K-IFRS 1012- Corporate Income Tax
The amendments clarify that the effect of dividends is recognized in profit or loss, other comprehensive income or equity, depending on how the transaction that generated distributable profit was initially recognized.

(B) K-IFRS 1023- Borrowing Costs
The amendments to K-IFRS 1023 require that if there is a balance of a specific borrowing even after the related asset has become AFS or is AFS, the borrowing will be part of the ordinary borrowing.

(C) K-IFRS 1103- Business Combination
The amendments to K-IFRS 1103 require that when an entity obtains control of a joint venture business, the entity shall apply the requirements for a staged business combination, including remeasurement of the prior service maintenance of joint operations to fair value and that it should be applied. Previous retirement interests should include unrecognized assets, liabilities and goodwill in connection with joint operations.

(D) K-IFRS 1111 - Joint Venture Agreement
Amendments to K-IFRS 1111 require that a party that has participated in a joint operation of the business, but does not have joint control, has joint control over the joint operation.

These amendments are applied prospectively from the beginning of the fiscal year beginning on or after January 1, 2019, and are permitted for early adoption.

- K-IFRS 1019 - Employee Benefits

These amendments apply to the revised assumptions used in determining past service costs (or settlement gains and losses) to reflect the benefits provided by the plan and plan assets before and after the amendment (or reduction or settlement). These amendments do not take into account the effects of the asset (which may occur when the defined benefit plan is in excess). After the amendment, the standard requires that any change in the nature of the asset that may arise from the revision (or reduction or settlement) of the plan is determined after recognizing the past service cost (or settlement gain or loss) and recognized in other comprehensive income.

In addition, the paragraphs relating to net periodic measurement of net service costs and net defined benefit liabilities (assets) have been amended. The Group shall use the updated assumptions used in the remeasurement to determine the corresponding current service cost and net interest during the remaining annual reporting period after the change in the plan. In the case of net interest, the amendments clarify that net interest for the period after the amendment is calculated using the discount rate used when remeasuring the net defined benefit obligation (asset) measured in accordance with paragraph 99 of that standard.

These amendments are only applied prospectively to the amendment, reduction and settlement of the system arising in the financial year in which this amendment is applied for the first time and thereafter. These amendments are effective for annual periods beginning on or after January 1, 2019, and are subject to early adoption.

- Amendments to K-IFRS 1115 – Revenue from Contracts with Customers

This amendment is to revise the meaning of 'contract' referred to in paragraph 129.1 to 'individual contract' in relation to 'additional disclosure of contracts based on cost-based input method', so that even if K-IFRS 1115 is applied, the range of disclosure does not change. In addition, K-IFRS 1115 does not distinguish the types of contracts. Therefore, service contracts that did not qualify for the application of K-IFRS 1011, paragraph 45.1, can be clarified in K-IFRS 1115, and it is clarified that the range of the contract subject to make disclosure in accordance with paragraph 129.1 of the previous clause can be expanded compared to the previous profit standard. These amendments will be effective for the first financial year beginning on or after January 1, 2019, and are subject to early adoption.

- K-IFRS 2123 – Uncertainty over Income Tax Treatments (enacted)

The interpretation prescribes how to account for uncertainty in the treatment of income taxes and requires the following:

(a) The entity may individually consider each of its uncertain tax treatments or decide whether to consider it together with any uncertain tax treatment.

(b) The entity will decide to accept the account for uncertainty in the treatment of income taxes and calculate the amount of tax income (loss), tax standard income, unused tax loss, unused tax credit and tax rate.

- If the possibility of acceptance is high, the entity will calculate according to used or using for corporate tax report.
- If the possibility of acceptance is not high, we will reflect the effect of uncertainty.

The interpretation is effective for annual periods beginning on or after January 1, 2019. This interpretation can be applied to a retrospective method that does not require retrospective application or retrospective comparative information.

The Group believes that the effects of these amendments will not be material to the consolidated financial statements.

(2) Basis of consolidated financial statement presentation

The consolidated financial statements incorporate the financial statements of the parent and its subsidiaries (including structured companies) controlled by the parent (and its subsidiaries, which is the "Group"). Control is achieved where the Group 1) has the power over the investee; 2) is exposed, or has rights, to variable returns from its involvement with the investee; and 3) has the ability to use its power to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the relative size of the Group's holding of voting rights and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements;

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owner of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owner of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup transactions and, related assets and liabilities, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owner of the Parent Company.

When the Group loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS 1109 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(3) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured as the sum of the acquisition-date fair values of the assets transferred by the Group in exchange for control of the acquiree, liabilities assumed by the Group for the former owners of the acquiree and the equity interests issued by the Group. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the condition for recognition under K-IFRS 1103 are recognized at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 Income Taxes and K-IFRS 1019 Employee Benefits, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102 Share-Based Payment at the acquisition date; and
- non-current assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105 Non-Current Assets Held for Sale and Discontinued Operations are measured at the lower of their previous carrying amounts or fair value, less costs to sell.

Any excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest (if any) in the acquiree over the net of identifiable assets and liabilities assumed of the acquiree at the acquisition date is recognized as goodwill, which is included in intangible assets.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognized immediately in net income as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement-period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement-period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement-period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration other than the above is remeasured at subsequent reporting dates, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured at fair value at the acquisition date (i.e., the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in net income (or other comprehensive income, if applicable). Amounts arising from changes in value of interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized, identical to the treatment assuming interests are sold directly.

In case where i) a common entity ultimately controls over all participating entities, or businesses, in a business combination transaction, prior to and after the transaction continuously, and ii) the control is not temporary, the transaction meets the definition of "business combination under common control" and it is deemed that the transaction only results in the changes in legal substance, and not economic substance, from the perspective of the ultimate controlling party. Thus, in such transactions, the acquirer recognizes the assets and liabilities of the acquiree in its financial statements at the book values as recognized in the ultimate controlling party's consolidated financial statements, and the difference between the book value of consideration transferred to and the book value of net assets transferred in is recognized as equity.

(4) Investments in joint ventures and associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary or a joint venture. Significant influence is the power to participate in making decision on the financial and operating policy of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to net assets relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The net income of current period and the assets and liabilities of the joint ventures and associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with K-IFRS 1105 Non-Current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in the joint ventures and associates is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the net assets of the joint ventures and associates and any impairment. When the Group's share of losses of the joint ventures and associates exceeds the Group's interest in the associate, the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures and associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint ventures and associates recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized immediately in net income.

The requirements of K-IFRS 1028 - Investments in Associates and Joint Ventures to determine whether there has been a loss event are applied to identify whether it is necessary to recognize any impairment loss with respect to the Group’s investment in the joint ventures and associates. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 1036 - *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use or fair value, less costs to sell) with its carrying amount. Any impairment loss recognized is not allocated to any asset (including goodwill), which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

Upon a loss of significant influence over the joint ventures and associates, the Group discontinues the use of the equity method and measures at fair value of any investment that the Group retains in the former joint ventures and associates from the date when the Group loses significant influence. The fair value of the investment is regarded as its fair value on initial recognition as a financial asset in accordance with K-IFRS 1039 Financial Instruments: Recognition and Measurement. The Group recognized differences between the carrying amount and fair value in net income and it is included in determination of the gain or loss on disposal of joint ventures and associates. The Group accounts for all amounts recognized in other comprehensive income in relation to that joint ventures and associates on the same basis as would be required if the joint ventures and associates had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by an associate would be reclassified to net income on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to net income as a reclassification adjustment.

When the Group’s ownership of interest in an associate or a joint venture decreases, but the Group continues to maintain significant influence over an associate or a joint venture, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that decrease in ownership interest if the gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. Meanwhile, if interest on associate or joint venture meets the definition of non-current asset held for sale, it is accounted for in accordance with K-IFRS 1105.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When a subsidiary transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(5) Investment in joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

When the Group operates as a joint operator, it recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the K-IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When the Group enters into a transaction with a joint operation in which it is a joint operator, such as a sale or contribution of assets, it is conducting the transaction with the other parties to the joint operation and, as such, the Group recognizes gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation.

When the Group enters into a transaction with a joint operation in which it is a joint operator, such as a purchase of assets, it does not recognize proportional share of profit or loss until the asset is sold to a third party.

(6) Revenue recognition

1) Revenues from contracts with customers
The Group recognizes revenue when it satisfies a performance obligation by transferring a promised good or service to a customer. When a performance obligation is satisfied, the Group shall recognize as a revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the Group expects it to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

The Group is recognizing revenue by major sources as shown below:

The fees and commission received on credit card consist mainly of merchant account fees and annual fees. The Group recognizes merchant account fees by multiplying agreed commission rate to the amount paid by using the credit card. The annual fees are for performance obligation satisfied over time and are recognized over agreed periods after the annual fees are paid in advance. The business activities relevant to these fees and commission received on credit card are substantially attributable to credit cards segment.

The service-related fees are recognized in accordance with the arrangements for providing services to the customers. Agreements are generally made by contract and service-related costs arise when services are provided. Prices are usually fixed and measurable.

2) Revenues from sources other than contracts with customers

① Interest income
Interest income on financial assets measured at FVTOCI and financial assets at amortized costs are measured using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a debt instrument and allocating the interest income over the expected life of the asset. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial unamortized cost over the expected period, or shorter if appropriate. Future cash flows include commissions and cost of reward points (limited to the primary component of effective interest rate) and other premiums or discounts that are paid or received between the contractual parties when calculating the effective interest rate, but does not include expected credit losses. All contractual terms of a financial instrument are considered when estimating future cash flows.

For purchased or originated credit-impaired financial assets, interest revenue is recognized by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. Even if the financial asset is no longer impaired in the subsequent periods due to credit improvement, the basis of interest revenue calculation is not changed from amortized cost to unamortized cost of the financial assets.

② Loan origination fees and costs

The commission fees earned on loans, which is part of the effective interest of loans, are accounted for as deferred origination fees. Incremental costs related to the origination of loans are accounted for as deferred origination fees and are being added to or deducted to/from interest income on loans using effective interest rate method.

③ Dividend income

Dividend income is recognized in profit or loss when the Group's right to receive payment is established.

(7) Leases

1) Revenues from contracts with customers

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as a lessor
The Group recognizes lease receivables at the present value of minimum lease payments of a finance lease and any unguaranteed residual value. After the commencement date of the lease, accounting is done to recognize interest income over each reporting period by computing periodic interest income on the Group's net investment.

Rental income from operating leases is recognized on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and expensed on a straight-line basis over the lease term. Operating lease assets are included within other asset category in other assets, and depreciated over their economic life.

2) The Group as a lessee
Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Contingent rentals arising under finance leases are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as expenses in the period in which they are incurred.

(8) Accounting for foreign currencies

The Group's consolidated financial statements are presented in Korean won, which is the functional currency of the Group. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at its prevailing exchange rates at that date. The effective portion of the changes in fair value of a derivative that qualifies as a cash flow hedge and the foreign exchange differences on monetary items that form part of net investment in foreign operations are recognized in equity.

Assets and liabilities of the foreign operations subject to consolidation are translated into Korean won at foreign exchange rates at the end of the reporting period. Except for situations in which it is required to use exchange rates at the date of transaction due to significant changes in exchange rates during the period, items that belong to profit or loss shall be measured by average exchange rate, with foreign exchange differences recognized as other comprehensive income and added to equity (allocated to non-controlling interests, if appropriate). When foreign operations are disposed, the controlling interest's share of accumulated foreign exchange differences related to such foreign operations will be reclassified to profit or loss, while non-controlling interest's corresponding share will not be reclassified.

Adjustments to fair value of identifiable assets and liabilities, and goodwill arising from the acquisition of foreign operations will be treated as assets and liabilities of the corresponding foreign operation and are translated using foreign exchange rates at the end of the period. The foreign exchange differences are recognized in equity.

(9) Cash and cash equivalents

The Group is classifying cash on hand, demand deposits and interest-earning deposits with original maturities of up to three months on the acquisition date, and highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value as cash and cash equivalents.

(10) Financial instrument

Financial assets and financial liabilities are recognized in the consolidated statement of financial position of the Group when it becomes a party to the contract. Financial assets and financial liabilities are measured initially at fair value. Transaction costs directly attributable to the acquisition of a financial asset or the issuance of a financial liability are initially recognized or deducted from the fair value of the financial asset or financial liability. Gains or losses on disposal of AFS securities are recognized in profit or loss as incurred.

(11) Financial assets

A regular-way purchase or sale of financial assets is recognized or derecognized on the trade or settlement date. A regular-way purchase or sale is a purchase or sale of a financial asset under a contract whose term requires delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

On initial recognition, financial assets are classified into financial assets at FVTPL, financial assets at FVTOCI and financial assets at amortized cost.

1) Classification of financial assets

Debt instruments that satisfy the following conditions are subsequently measured at amortized cost:

- Financial assets are held under a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- Contractual cash flows from such financial assets are solely payments of principal and interest.

Debt instruments that satisfy the following conditions are subsequently measured at FVTOCI:

- Financial assets are held under a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Contractual cash flows from such financial assets are solely payments of principal and interest.

All other financial assets are subsequently measured at FVTPL.

Notwithstanding the foregoing, the Group may make the following irrevocable choice or designation at the time of initial recognition of a financial asset:

- If you meet certain requirements (see 1-3) below), you may choose to present subsequent changes in fair value of equity instruments in other comprehensive income.
- If designated as fair value accounting metrics, remove inconsistencies or significant write-down process for (see 1-4) below) financial assets measured at amortized cost and other comprehensive income to reduce debt to meet the requirements of the valuation of financial assets.
- It is possible to remove or significantly reduce recognition or measurement mismatch that may otherwise have occurred if not for its designation as financial asset at FVTPL (see 1-3) below).
- The financial asset forms part of the Group's financial instrument group (a group composed of a combination of financial asset or liability), is measured at fair value and is being evaluated for its performance, and such information is provided internally (see 1-4) below).

1-1) The amortized cost and the effective interest method

The amortized cost of a financial asset is calculated by deducting the principal amount repaid from the amount measured at initial recognition and adjusting the allowance for losses based on the difference between the initial recognition amount and the maturity amount using the effective interest method amount. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for loss reserve.

Interest income is recognized using the effective interest method for debt instruments subsequently measured at amortized cost, plus other comprehensive income - at fair value. For financial assets other than those whose credit quality is impaired, the interest income is calculated by applying the effective interest rate to the total carrying amount of the financial asset (except for financial assets that are subsequently impaired). For subsequent impaired financial assets, interest income is recognized using the effective interest rate on the amortized cost basis of the financial asset. If the credit risk of an impaired financial instrument improves in subsequent reporting periods and the financial asset is no longer impaired, interest income is recognized by applying the effective interest rate to the total carrying amount of the financial asset.

In the case of a financial asset whose credit quality is impaired at the time of acquisition, interest income is recognized from the date of initial recognition by applying the credit adjustment effective interest rate to the amortized cost of the financial asset. If the financial asset is no longer impaired as a result of a subsequent improvement in the credit risk of the financial asset, the calculation of interest income is not changed based on the gross carrying amount.

1-2) Other comprehensive income - debt instruments classified as fair value measurement
At initial recognition, debt instruments are measured at fair value, plus transaction costs. Subsequent changes in the carrying amount of the debt instrument as a result of foreign exchange translation gains and losses, impairment losses (reversals) and interest income resulting from the effective interest rate method are recognized in profit or loss. The amount recognized in profit or loss is the same as the amount that would have been recognized in profit or loss if the debt instrument had been measured at amortized cost. Changes in the carrying amount of all debt instruments are recognized in other comprehensive income and accumulated as accumulated gain or loss. The cumulative gain or loss that was recognized in other comprehensive income when the liability is disposed of is reclassified to profit or loss.

1-3) Other comprehensive income – equity instruments classified as fair value measurement
The Group can make irrevocable choices (by product) to designate investments in equity instruments as other comprehensive income - fair value items at initial recognition. If the equity instrument is a short-term trading instrument or the contingent consideration recognized by the acquirer in a business combination, other comprehensive income - designated as a fair value measurement is not permitted.

Financial assets that are short-term trading items are as follows:
- Acquire financial assets to excise short-term trades.
- There is evidence that the objective of the management type is to acquire short-term profits as part of a portfolio of specific financial instruments that are jointly managed at the time of initial recognition.
- Derivatives (except financial guarantee contract derivatives and derivatives that are effective and designed to avoid risk).

Other comprehensive income - investments in equity instruments that correspond to the fair value items are recognized, plus transaction costs, on initial recognition at fair value; subsequently measured at fair value; and any gains or losses arising from changes in fair value are recognized in other comprehensive income and accumulated as accumulated gain or loss. When an equity instrument is disposed of, the cumulative gain or loss is not reclassified to profit or loss and is replaced with retained earnings.

Such dividends are recognized in profit or loss in accordance with K-IFRS 1109, unless dividends on investments in equity instruments clearly represent a recovery of investment costs.

1-4) Profit or loss – assets at fair value measurement
Financial assets, which are not qualified for measurement requirements as amortized cost or other comprehensive income, are measured at FVTPL.

- Initial recognition for equity instruments other than short-term trading items and contingent consideration in business combinations - Unless otherwise designated as fair value items, the equity instruments are classified as at FVTPL (see 1-3) above).
- Requirement of amortization cost measurement items or other comprehensive income - Debt items that do not satisfy the requirements of fair value measurement items (see 1-1) and 1-2) above) are classified as profit or loss -

fair value measurement items. In addition, if the designation as a fair value measurement meets the criteria for measuring or recognizing an asset or liability in accordance with different criteria, it is necessary to eliminate the inconsistency in measurement or recognition ('accounting mismatch'). The requirements of the statutory sponsor metric or other comprehensive income - a debt instrument that meets the requirements for a fair value measurement item can be designated as a profit or loss - fair value measurement at initial recognition.

Financial assets at FVTPL are measured at fair value at the end of each reporting period and recognized in profit or loss as a result of changes in fair value, except for those designated as hedging relationships.

2) Gain or loss on foreign currency translation
The carrying amount of a financial asset designated as a foreign currency is determined in foreign currencies and is translated at the spot exchange rate at the end of the reporting period.
- For financial assets measured at amortized cost, except for the portion designated as hedging relationship, exchange differences are recognized in profit or loss in the 'foreign exchange gains and losses' line item.
- Other comprehensive income - for debt instruments measured at fair value (except for those designated as hedging instruments), the exchange rate difference between the amortized cost of the debt instrument and the foreign currency gain or loss is recognized in profit or loss. Exchange rate differences, except for these, are recognized in other comprehensive income in the accumulated gain / loss items.
- Gains and losses arising from changes in the fair value of financial assets measured at fair value (except for those designated as hedging instruments) are recognized in profit or loss in the "foreign exchange gains and losses" line.
- Other comprehensive income - for equity instruments measured at fair value, the gain or loss is recognized in other comprehensive income.

3) Impairment of financial assets

The Group recognizes impairment losses, other comprehensive income and expected credit losses on investments in debt instruments measured at fair value, lease receivables, trade receivables and contractual assets and financial guarantee contracts. The amount of expected credit losses is updated to reflect changes in credit risk since the initial recognition of the financial instrument at each reporting period.

If the credit risk is significantly increased after initial recognition of the financial asset, the expected credit loss is recognized for the entire period. However, if the credit risk of a financial asset does not increase significantly after initial recognition, the Group measures the expected credit loss of the instrument as an amount equivalent to the expected 12-month credit loss.

Total expected credit losses represent expected credit losses due to any default event that may occur during the expected life of the instrument. Conversely, a 12-month expected credit loss is a fraction of the expected total credit loss due to a default event of a financial instrument that may occur within 12 months after the end of the reporting period.

3-1) Significant increase in credit risk
When assessing whether the credit risk of a financial instrument has significantly increased after initial recognition, the risk of default on a financial instrument at the end of the reporting period is compared to the risk of default. We consider both quantitative and qualitative information that can be reasonably supported and supported without undue cost or effort in order to make this assessment.

The Company uses the information below to determine whether a significant increase in credit risk is significant and generally assumes a significant increase in credit risk if one or more of the following are true:

・ Delinquency more than 30 days.

・ As of settlement date, the credit rating has fallen more than a certain amount of time compared to the initial recognition.

・ Asset quality precaution.

・ High-risk assets.

Notwithstanding the foregoing, the Group believes that the credit risk of the instrument has not increased significantly when it determines that the instrument has a lower credit risk at the end of the reporting period: (1) the risk of default on financial instruments is low; (2) the borrower has a strong ability to fulfill the contractual cash flow obligation in the short term; and (3) in the long run, due to adverse economic and business environment changes, we determine that a financial instrument has a lower credit risk if the borrower's ability to meet contractual cash flow payment obligations may be weakened, but not necessarily weakened.

3-2) Financial assets with impaired credit

The Group generally considers the credit to be impaired if one or more of the following are true:

・Overdue 90 days or more

・Credit rating is below a certain level as of settlement date

・Asset quality – doubtful accounts of collection and expected loss

・Default and others

Damage related to all financial assets, such as doubtful or estimated loss on collection of asset quality or default, is recognized in profit or loss and the carrying amount of the asset. However, in the case of an investment in a debt instrument measured at fair value, it is recognized in other comprehensive income and accumulated in the cumulative gain or loss and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual right to the cash flows from the asset is expired, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another company. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

When a financial asset measured at amortized cost is eliminated, the difference between the carrying amount of the asset and the consideration received or receivable is recognized in profit or loss. Other comprehensive income - when an investment in a debt instrument measured at fair value is eliminated, the cumulative gain or loss previously recognized is reclassified to profit or loss. On the other hand, investments in equity instruments designated as other comprehensive income-fair value at initial recognition are not reclassified to profit or loss, but are replaced with retained earnings.

(12) Financial liabilities and equity instruments

1) Financial liabilities and equity classification

Debt instruments and equity instruments are classified as financial liabilities or equity depending on the reality of the contract and the definition of financial liabilities and equity instruments.

2) Equity instruments

Equity instruments are all contracts that represent the residual interest after deducting all liabilities from the entity's assets. Equity securities issued by the Group are recognized at their fair value, less costs to sell directly.

When an entity repurchases its own equity instruments, these equity instruments are deducted directly from equity. Gains or losses on the purchase or sale of, or the issue or cancellation of, an equity instrument are not recognized in profit or loss.

3) Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest rate method or at FVTPL - at fair value. However, financial liabilities and financial guarantee contracts that arise when the transfer of a financial asset does not meet the elimination requirements or when a continuing involvement approach is applied is measured in accordance with the specific accounting policies described below.

4) Financial liabilities at FVTPL

Financial liabilities are classified as financial liabilities at FVTPL if they are either conditional cost, trading securities or initially designated at FVTPL.

Financial liabilities at FVTPL are measured at fair value and gains or losses arising from changes in fair value other than those designated as hedging instruments are recognized in profit or loss.

If the financial liability is designated as a fair value measurement, the change in the fair value of the financial liability due to changes in the credit risk of the liability is recognized as other comprehensive income if recognizing the effect of changes in credit risk in other comprehensive income does not raise or expand discordance of accounting. Remained changes in the fair value of the liability are recognized in profit or loss. Changes in fair value due to credit risk of financial liabilities recognized in other comprehensive income are not subsequently reclassified to profit or loss and are replaced with retained earnings when the financial liability is removed. Gains or losses on financial guarantee contracts designated as FVTPL are recognized in profit or loss.

5) Measurement of amortization cost

Financial liabilities are measured at amortized cost using the effective interest rate method, unless they are the conditional cost of the acquirer in a business combination, are classified as held for trading or are designated as at FVTPL when initially recognized.

6) Financial guarantee liability

Financial guarantee contract is a contract that requires the issuer to pay a certain amount in order to compensate the loss incurred by the holder due to the failure of the specific debtor to pay on the due date according to the initial contract conditions or the changed contract conditions.

Financial guarantee liabilities are measured initially at fair value and subsequently measured at the greater of the following, unless they are designated as at FVTPL or arising from the transfer of assets:

・ Loss reserve calculated in accordance with K-IFRS 1109 (refer to 'Financial assets' above)

・ The amount recognized for the first time, less the accumulated profits recognized in accordance with K-IFRS 1115

7) Foreign exchange gains and losses

Financial liabilities denominated in foreign currencies are measured at amortized cost at the end of the reporting period. Foreign currency translation gains and losses are calculated based on the amortized cost of the financial instruments. Foreign exchange gains and losses on financial liabilities, except for those designated as hedging relationships, are recognized in profit or loss in the consolidated statement of financial position. Foreign currency translation gains and losses are recognized in other comprehensive income and are accumulated as separate items in equity when designated as a hedging instrument to hedge foreign currency risk.

Fair values of financial liabilities denominated in foreign currencies are determined in foreign currency and translated at the spot exchange rate at the end of the reporting period. For financial liabilities measured at fair value, the foreign currency translation component is a part of fair value gains and losses and is recognized in profit or loss (except for those designated as hedging relationships).

8) Removal of financial liabilities

The Group eliminates financial liabilities only when the Group's obligations are fulfilled, canceled or expired. The difference between the carrying amount of the financial liability and the consideration paid or receivable is recognized in profit or loss.

(13) Property, plant and equipment

Property, plant and equipment are stated at cost and are subsequently carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of a property, plant and equipment is the expenditure incurred directly in connection with the purchase or construction of the asset, including the costs and expenses directly related to bringing it to the place and condition necessary for the operation of the asset in an intended manner by management, and includes the initial estimated costs to be recovered.

Subsequent costs are included in the carrying amount of the tangible asset or, where appropriate, a separate asset, provided it is probable that the future economic benefits of the asset will flow to the Group and the cost can be reliably measured. Costs incurred in connection with ordinary repair and maintenance are recognized in profit or loss as incurred.

Depreciation of property, plant and equipment is not carried out and depreciation of property other than land is calculated by the straight-line method over the following estimated useful lives for the asset, less the cost or revalued amount:

	Useful life
Buildings used for business purpose	40 years
Structures in leased office	5 years
Properties for business purpose	5 years

The depreciation method, residual value and useful lives of the tangible assets are reviewed at the end of each reporting period, and changes in value are accounted for as changes in accounting estimates. In addition, if there is an indication that the asset is impaired and the carrying amount of the asset exceeds the estimated recoverable amount, the carrying amount of the asset is reduced to its recoverable amount.

(14) Intangible assets

The Group records the cost of an intangible asset at its acquisition cost or acquisition cost plus any incidental costs. After initial recognition, the cost of the intangible asset is recorded as the carrying amount, less accumulated depreciation and accumulated impairment losses, if any. Intangible assets of the Group are amortized using the straight-line method over the following estimated useful lives. The useful life and amortization method of intangible assets are reviewed at the end of each reporting period, and changes in value are accounted for as changes in accounting estimates.

	Useful life
Industrial property rights	10 years
Development costs	5 years
Other intangible assets	5 years

In addition, if there is an indication that the asset is impaired and the carrying amount of the intangible asset exceeds the estimated recoverable amount, the carrying amount of the asset is reduced to its recoverable amount.

(15) Impairment of non-financial assets
Intangible assets with indefinite useful lives, such as goodwill and membership rights, are tested for impairment annually, irrespective of the indication of impairment, and the impairment test is performed on the remaining assets. At the end of each reporting period, the Company reviews whether there is an indication of impairment and, if there is any indication of impairment, the impairment test is performed to estimate the recoverable amount. The recoverable amount is measured at the higher of its fair value, less costs to sell or its value in use. When the recoverable amount is less than the carrying amount, the carrying amount is reduced to recoverable amount and the amount is recognized in profit or loss.

(16) Derivatives
The Group enters into derivative contracts, such as interest rate swaps and currency swaps, to manage interest rate risk and foreign currency risk.

Derivatives are measured at fair value at the date of initial recognition and are subsequently remeasured to fair value at the end of each reporting period. Unrealized gains and losses arising from changes in the fair value of derivatives are recognized immediately in profit or loss, unless the derivative is designated as a hedging instrument or effective for hedging. If the derivative is designated as a hedging instrument and effective for hedging, the timing of recognition of the hedging instrument is dependent on the nature of the hedging relationship. Derivative instruments whose fair value is positive (+) are recognized as financial assets and derivatives with negative values are recognized as financial liabilities.

1) Intrinsic derivatives
Derivatives are a component of a composite product that includes a main contract, not a derivative, and has the effect of changing some of the cash flow of a composite product to be similar to that of an independent derivative.

Derivative instruments embedded in a composite contract that includes financial assets included in the scope of K-IFRS 1109 as a main contract are not separated. They are classified by total contractual value and subsequently measured at amortized cost or fair value.

Derivative instruments embedded in a composite contract that includes a host contract (e.g., financial liability), but not financial assets that are included in the scope of K-IFRS 1109, are those in which the underlying derivative meets the definition of the derivative and the characteristics of the underlying derivative. If the risks are not closely related to the nature and risks of the host contract and the host contract is not measured at FVTPL - fair value, it is accounted for as a separate derivative.

2) Hedge accounting
The Group designates certain derivative instruments as hedges of fair value hedge or cash flow hedge related to interest rate risk, foreign currency translation and interest rate risk and foreign currency translation risk.

The Group documents the relationship between the hedging instrument and the hedged item in accordance with the purpose and strategy of hedging the risk at the hedging start. In addition, the Group documents whether or not the hedging instrument is effective in offsetting the fair value or changes in cash flows of the hedged item due to the hedged risk in the beginning and subsequent periods of the hedge. It is effective if the hedging relationship meets all of the following requirements for the hedging effect:

• If there is an economic relationship between the hedged item and the hedging instrument

・ If the effect of credit risk is not more dominant than the value change due to the economic relationship between the hedged item and the hedging instrument

The ratio of the number of hedging instruments actually used by the Group to avoid the risk of hedging the hedging relationship between the hedged item and the hedged item, Such as

If the hedging relationship no longer meets the requirements for hedge effectiveness related to the hedge ratio, but the objectives of risk management for the designated hedge relationship remain the same, the Company adjusts the hedging ratio of the hedging relationship (hedge ratio adjustment).

The Group has designated only the portion of the derivative financial instruments, excluding the foreign currency basis spread as a hedging instrument. Changes in value due to the corresponding foreign currency basis spread are recognized in other comprehensive income and accumulated in equity. If the hedged item is related to a transaction, accumulated other comprehensive income is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item subsequently results in the recognition of a non-financial item, the amount accumulated in equity is directly included in equity and included in the initial carrying amount of the recognized non-financial item. Such transfers do not affect other comprehensive income. However, if all or a portion of the cumulative capital items are not expected to recover in a future period, the amount that is not expected to recover is immediately reclassified to profit or loss. If the hedged item is related to the period, the portion of the foreign currency basis spread on the date that the hedged item is designated as a hedging instrument is reclassified to profit or loss over the hedging period.

3) Fair value hedge

The gain or loss of an eligible hedging instrument is recognized in profit or loss. However, if the hedging instrument hedges other comprehensive income - the equity instrument designated as fair value measurement, the gain or loss on the hedging instrument is recognized in other comprehensive income.

The carrying amount of the hedged item that is not measured at fair value is adjusted according to changes in fair value attributable to the hedged risk and is recognized in profit or loss. Other comprehensive income - fair value measurement. - in case of a debt instrument, the gain or loss on the hedged risk is recognized in profit or loss, not in other comprehensive income, without adjusting the carrying amount because the carrying amount is already at fair value. If the hedged item is an equity instrument designated as a fair value measurement, the gain or loss on the hedged risk is included in other comprehensive income to correspond with the hedging instrument.

The hedge accounting only ceases when the hedge relationship (or part of the hedging relationship) does not meet the conditions of the hedge (even after considering the rebalancing of the hedging relationship, if applicable). This also includes cases where the hedging instrument is extinguished, sold, terminated or exercised, and the discontinuance is accounted for on a forward basis. Fair value adjustments to the carrying amount of the hedged item attributable to the hedged risk are amortized to profit or loss from the date on which it is discontinued.

4) Cash flow hedges

If the Group's effective portion of changes in the fair value of derivatives and other qualifying hedge instruments that are designated as hedging instruments meet the requirements for cash flow hedge accounting, the cumulative change in fair value of the hedged item is recognized as other comprehensive income. The ineffective portion of the hedge is recognized in profit or loss.

The gain or loss on the hedging instrument that is previously recognized in other comprehensive income and accumulated in equity is reclassified to profit or loss when the hedged item affects profit or loss. However, if future non-financial assets or non-financial liabilities are recognized in the expected future cash flows of the hedged transaction, the gain or loss on valuation of the hedging instrument is recognized and included as other comprehensive income in the previous period. Such transfers do not affect other comprehensive income. If the cumulative gain or loss previously recognized in other comprehensive income is expected to be impaired and all or a portion of the impairment is expected to not recover in a future period, the amount is immediately reclassified to profit or loss.

The hedge accounting only ceases when the hedge relationship (or part of the hedging relationship) does not meet the conditions of the hedge (even after considering the rebalancing of the hedging relationship, if applicable). This also includes cases where the hedging instrument is extinguished, sold, terminated or exercised, and the discontinuance is accounted for on a forward basis. Gains or losses on valuation of equity instruments that are recognized in other comprehensive income at the time of termination of cash flow hedge accounting are recognized in equity and reclassified to profit or loss if the transaction is ultimately recognized in profit or loss. However, if the anticipated transaction is no longer expected to occur, the cumulative gain or loss previously recognized in equity is reclassified to profit or loss.

(17) Assets held for sale (disposal group)
The Group classifies non-current assets (or disposal groups) as held for sale if the carrying amount of the non-current assets is likely to be recovered and sold mainly through sale transactions. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of fair value or carrying amount after deducting the sale cost.

(18) Provisions
Provisions are recognized when it is probable that the associated obligation will be satisfied and the amount of the obligation can be estimated reliably, as a result of a past obligation (legal or constructive obligation).

The amount recognized as a provision is the best estimate at the end of each reporting period for the expenditure required to settle the present obligation, taking into account the unavoidable risks and uncertainties of the related events and circumstances. If the effect of time value of money is material, the provision is measured at the present value of the expenditure expected to be required to settle the obligation. The discount rate is the pretax rate reflecting the current market's assessment of the inherent risk of debt and the time value of money. Provision for impairment of long-term liabilities is recognized in profit or loss as financial cost.

If it is expected that a third party will repay part or all of the expenditure required to settle the obligation, and if the obligation is substantially guaranteed and the amount can be reliably measured, it is recognized as assets.

The balance of provisions is reviewed at the end of each reporting period and adjusted to reflect the best estimate at the end of the reporting period. If the likelihood of an outflow of resources embodying economic benefits to fulfill an obligation is no longer high, the related provision is reversed.
The Group recognizes provisions for payment guarantees, unused limits and litigations. In addition, if the depreciable assets that are used as sales branches are to be restored after expiration of the contract period based on the lease contract, the present value of expenses estimated to be necessary to recover the depreciable assets is recognized as a provision for restoration.

(19) Retirement benefit costs and termination benefits
The contribution to the defined contribution retirement benefit plan is recognized as an expense when employees provide services that are eligible for payment.

In the case of defined benefit pension plans, defined benefit obligation is calculated by an independent actuarial corporation using actuarial valuation at the end of each reporting period using the projected unit credit method. The remeasurement component of net defined benefit liability, which consists of changes in actuarial gains and losses on plan assets (excluding amounts included in net interest on net defined benefit liabilities (assets)) and changes in the nature of the asset, are recognized in other comprehensive income and are immediately reflected in the consolidated statement of financial position. Reclassification factors recognized in the consolidated statement of comprehensive income are recognized in other comprehensive income and are not reclassified to profit or loss in the succeeding period. Past service costs are recognized as an expense at the earlier of an amendment or reduction in the system or when the Group recognizes an associated restructuring or dismissal benefit. The Group recognizes the settlement of the defined benefit plans at the time settlement occurs.
Net interest is calculated by applying discount rate to net defined benefit obligation (asset). The components of defined benefit costs consist of service costs (current and past service costs, and gains and losses on downsizing and settlement), net interest expenses (revenues) and remeasuring factors.

Operating cost and net interest expense (or net interest income) are recognized as operating expense and remeasurement factors are recognized in other comprehensive income. The profit or loss from the reduction of the system is treated as past service cost.

Defined benefit obligations in the consolidated statement of financial position represent the actual undue amount and excess amount of the defined benefit plan. The excess accruals calculated from these calculations are recognized as an asset up to the present value of the economic benefits available in the form of a refund from the plan or a reduction in future contributions to the plan.

The liability for termination benefits is recognized on the date that the Group ceases to be able to withdraw the proposal for termination benefits or the Group recognizes the cost of restructuring that accompanies the payment of termination benefits.

(20) Income tax
Income tax expense consists of current and deferred taxes.

1) Current corporate tax

Current tax liability is calculated based on taxable income for the year. The difference between taxable income and net income arises from items of profit or loss that are added to or deducted from other taxable periods and non-taxable or non-taxable items. Liabilities associated with the Group's current tax are calculated based on tax rates and tax laws enacted or substantively enacted by the end of the reporting period.

If it is uncertain that the tax will be determined, but there is a strong likelihood of a cash outflow to the taxing authority in the future, a provision is recognized. Provisions are measured at the best estimate of the amount expected to be paid. These assessments are based on the judgment of the tax experts of the Parent Company in the past experience and, in certain cases, are based on the judgment of an independent tax professional.

2) Deferred income tax

Deferred income tax is the tax amount payable or settled in respect of temporary differences, which are the differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the tax bases used in the calculation of taxable income, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences when it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. However, if the temporary difference arises from the first recognition of goodwill or the transaction in which the asset or liability is recognized for the first time is not a business combination transaction and does not affect accounting profit and taxable income (tax loss) at the time of the transaction, deferred tax liabilities are not recognized. Deferred tax assets are not recognized if the temporary difference arises from transactions in which the asset or the liability is initially recognized in a transaction that is not a business combination transaction and that does not affect accounting profit and taxable income (tax loss carryforwards) at the transaction date.

Except where the Group can control the timing of the extinguishment of the temporary difference and it is probable that the temporary difference will not cease to exist in the foreseeable future, the additions to the subsidiary, the investment in the associate, the interest in the joint venture and deferred tax liabilities are recognized for temporary differences. Deferred tax assets arising from temporary differences arising from these investments are highly probable to be taxable at the rate of income that would have the appropriate effect on the temporary difference and recognized only if high.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and the carrying amount of the deferred tax asset is reduced when it is no longer probable that sufficient taxable income or taxable profit will be available to recover all or part of the deferred tax asset.

Deferred income tax is measured using tax rates that are expected to be applied to the period in which the liability is settled or the asset is realized based on tax rates and tax laws enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of the related assets and liabilities at the end of the reporting period.

Deferred income tax assets and liabilities are recognized when the Group has the legally enforceable right to offset current tax assets and current tax liabilities and the taxable entity is the same or is subject to taxation with respect to the taxable entity Is intended to settle the liability at the same time as it realizes the asset each fiscal period, if it intends to settle the current tax liability and assets on a net basis, deferred tax liability is settled or a deferred tax asset is recovered Only offset.

3) Recognition of current and deferred taxes

Current and deferred taxes are recognized in profit or loss as revenues or expenses, except when arising from transactions, events or business combinations that are recognized directly in equity or other comprehensive income in the same periods or periods. At the time of business combination, the income tax effect is included in the accounting for the business combination.

(21) Earnings per share
Basic diluted earnings per share (“EPS”) are calculated by dividing net income attributable to ordinary equity holders of the parent by the number of common shares outstanding. Diluted EPS is the difference between the diluted potential ordinary shares based on the number of common shares outstanding and the number of common shares outstanding.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS:

In applying the Group's accounting policies described in Note 2, management must make judgments that have a significant effect on the amounts recognized in the consolidated financial statements (except for those related to the estimates), assets that are not readily identifiable from other sources, and assumptions about the carrying amounts of liabilities. Estimates and related assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. The amendments to the accounting estimates are recognized in the period in which the amendment is made if such amendment affects only that period and in the period in which amendments are made and in the future periods if they affect both the current and future periods.

(1) Significant judgments made in the process of applying accounting policies

The following items are important judgments separate from those related to the estimation (see Note 3 (2)) and are those that have the most significant effect on the amounts recognized in the consolidated financial statements:

1) Significant increase in credit risk
As explained in Note 2, if the credit risk of a financial instrument does not increase significantly after initial recognition, the allowance for loss is measured as an amount equivalent to the expected 12-month credit loss. If the credit risk of the instrument has increased significantly after recognition, or for the impaired asset, the allowance is measured as the amount corresponding to the expected credit loss for the whole period. K-IFRS 1109 does not define what constitutes a significant increase in credit risk.

2) Valuation of business models
The classification and measurement of financial assets are based on contractual cash flow characteristics and business models. Business models are determined at a level that reflects how we manage a set of financial assets together to achieve a specific business purpose. These assessments include judgments that reflect all relevant evidence, including the manner in which the performance of the asset is assessed and measured, the risks that affect the performance of the asset and how it is managed. The Group recognizes amortization costs or other comprehensive income - if the financial asset measured at fair value is derecognized before maturity and if the reason for such sale is consistent with the objective of the business model for managing the financial asset we are observing. An audit is an integral part of the Group's continued assessment of whether the business model for the

remaining financial asset is appropriate and, if not appropriate, a change in the business model and a corresponding change in the classification of the financial asset.

3) Fair value of financial instruments
Financial assets at FVTPL - financial instruments are classified as financial assets or are recognized at fair value in the consolidated statement of financial position. All derivatives are measured at fair value. Valuation techniques are required to determine the fair value of a financial instrument that does not have an observable market price. For financial instruments that are not traded frequently and have low-price transparency, the fair value objectivity is low and requires extensive judgment of liquidity, concentration, uncertainty of market factors, assumptions of pricing and other risks.

4) Income taxes
Income tax expense is recognized in current and deferred income taxes based on the best estimate of future taxable income as a result of operating activities until the end of the reporting period. However, actual future tax expense may not be consistent with recognized asset and liability. Such difference may affect current and deferred income tax assets and liabilities at the time when final tax effect is determined. Deferred income tax assets and liabilities are recognized only if there is a high probability that future taxable income will arise. In this case, the Group evaluates future taxable income based on the related factors, such as operating profit forecasted based on past financial performance. The Group reviews the carrying amount of deferred tax assets at the end of each reporting period and adjusts deferred income tax assets within the scope of taxable income sufficient to use the temporary difference to be deducted if the probability of occurrence of future taxable income changes.

(2) Main sources of estimated uncertainty
Major sources of major assumptions and other estimated uncertainties at the end of the reporting period that have significant risk factors and that could cause material changes to the carrying amounts of assets and liabilities in the next financial year are as follows.

1) Fair value of financial instruments
As described in Note 9, the Group uses valuation techniques that include input variables that are not based on observable market data to estimate the fair value of a particular type of financial instrument. Note 9 provides details of key assumptions used in determining the fair value of financial instruments and sensitivity analysis of these assumptions. Management believes that the valuation techniques and assumptions used to determine the fair value of financial instruments are appropriate.

2) Calculation of allowance for losses
When measuring expected credit losses, the Group uses reasonable and supportive forward-looking information, which is based on future changes in different economic variables and how they affect each other.
Default loss is an estimate of the amount of loss in the event of default. This is based on the difference between the contractual cash flows and the cash flows that the creditor expects to receive and takes into account the cash flows from the collateral and credit enhancement.

The probability of default is an important input variable to measure expected credit losses. The probability of default is an estimate of the likelihood of a default event, including past information and assumptions and expectations for the future.

3) Defined benefit retirement plans
The Group operates a defined benefit retirement plan. Defined benefit obligations are calculated by performing an actuarial valuation at the end of each reporting period. In order to apply such actuarial valuation methods, it is necessary to estimate assumptions about discount rates, expected wage growth rates and mortality rates. The retirement benefit plan includes significant uncertainties in these estimates due to its long-term nature.

4. <u>RISK MANAGEMENT:</u>

Operating activities of the Group are required to determine the level of risk or the risk management to analyze, evaluate and accept the extent of the risks it is exposed to a variety of complex financial risk. Risk management procedures aim to improve the soundness of investment assets and assets by making decisions for avoiding or mitigating risk by identifying the source and size of the risk.

The Group adopts strategies to eliminate excessive risk of financial instruments and to manage risk at an appropriate level to maximize profit against risk. To this end, the Group recognizes risks, measures and evaluates risks, controls risks and monitors and reports the risks we operate.

Risks are managed by the Risk Management Department based on the decisions made. The Risk Management Committee is the chief decision-making body for risk management, and makes decisions on risk strategies such as allocating risk capital and setting limits.

(1) Credit risk
Credit risk refers to the financial loss to be incurred by the Group as a counterparty to a credit transaction in the period set out in the contract, or the loss of ability to perform. The purpose of credit risk management is to identify the source of credit risk to maintain the level that the Group is able to tolerate and to optimize risk-adjusted returns.

1) Management of credit risk
The Group will consider the customer or the contractual obligations of the counterparty obligations possibility exposures and default exposures, it defaulted upon loss of a causal relationship to the counterparty, such as to measure credit risk. We use a credit rating model to assess the probability of a counterparty defaulting.

2) Management of dangerous roads
The Group manages total exposures and large exposures to manage credit risk limits. The maximum amount of exposure to credit risk is as follows:

		December 31, 2018	December 31, 2017
Balance	Financial assets at amortized cost (loans and receivables)		
	Due from banks	20,003	20,003
	Loans	268,371	260,650
	Credit card assets	7,788,006	6,648,450
	Credit sales	5,057,762	4,104,045
	Cash advances	577,202	556,534
	Card loan	2,149,285	1,985,628
	Other credit card assets	3,757	2,243
	Capital financing receivables	889,807	555,001
	Finance lease receivables	161,317	60,083
	Other financial assets at amortized cost	298,153	-
	Other loan and receivables	-	249,320
	Subtotal	9,425,657	7,793,507
	Derivative assets	263	1,193
	Subtotal	9,425,920	7,794,700
Off balance	Guarantees	-	1,326
	Unused credit limits	32,174,569	30,609,338
	Subtotal	32,174,569	30,610,664
	Total	41,600,489	38,405,364

3) The credit risk of financial assets at amortized cost and loans and receivables
December 31, 2010 Current measured at amortized cost of financial assets and loans and receivables December 31, Credit risk by credit status is as follows.

	December 31, 2018							
	Stage 1		Stage 2					
	Above appropriate credit rating (*1)	Less than a limited credit rating (*2)	Above appropriate credit rating (*1)	Less than a limited credit rating (*2)	Stage 3	Total	Loss allowance	Total, net
Due from banks	20,003	-	-	-	-	20,003	-	20,003
Loans	167,038	84,432	1,304	26,514	8,778	288,066	19,695	268,371
Credit card assets	6,501,251	354,676	601,892	380,841	208,959	8,047,619	259,613	7,788,006
Credit sales	4,481,943	267,880	171,317	182,565	28,527	5,132,232	74,470	5,057,762
Cash advances	452,362	54,046	31,903	57,115	11,599	607,025	29,823	577,202
Card loan	1,563,188	32,750	398,672	141,161	168,833	2,304,604	155,319	2,149,285
Other credit card assets	3,758	-	-	-	-	3,758	1	3,757
Capital financing receivables	774,120	87,045	11,572	22,555	1,871	897,163	7,356	889,807
Finance lease receivables	151,840	7,746	306	3,204	493	163,589	2,272	161,317
Other financial assets at amortized cost	289,907	2,061	4,173	3,613	505	300,259	2,106	298,153
Total	7,904,159	535,960	619,247	436,727	220,606	9,716,699	291,042	9,425,657

(*1) Credit grades of corporates are AAA–BBB and consumers' grades are 1–6.
(*2) Credit grades of corporates are BBB–C and consumers' grades are 7–10.

	December 31, 2017								
	Loans neither overdue nor impaired		Loans overdue, but not impaired		Impaired loans				
	Corporate	Consumer	Corporate	Consumer	Corporate	Consumer	Total	Loss allowance	Total net
Due from banks	20,003	-	-	-	-	-	20,003	-	20,003
Loans	1,813	255,493	-	13,416	-	5,122	275,844	15,194	260,650
Credit card assets	583,310	5,885,310	55,583	128,323	5,247	172,737	6,830,510	182,060	6,648,450
Credit sales	581,043	3,427,552	55,583	61,985	5,247	16,646	4,148,056	44,011	4,104,045
Cash advances	24	537,027	-	27,715	-	8,810	573,576	17,042	556,534
Card loan	-	1,920,731	-	38,623	-	147,281	2,106,635	121,007	1,985,628
Other credit card assets	2,243	-	-	-	-	-	2,243	-	2,243
Capital financing receivables	50,171	504,440	80	2,259	176	551	557,677	2,676	555,001
Finance lease receivables	14,675	45,525	176	419	113	2	60,910	827	60,083
Other loan and receivables	222,875	25,188	6	2,366	314	374	251,123	1,803	249,320
Total	892,847	6,715,956	55,845	146,783	5,850	178,786	7,996,067	202,560	7,793,507

7) Credit risk of unused credit limits

The credit risk of unused credit limits as of December 31, 2018, is as follows (Unit: Korean won in millions):

	Stage 1		Stage 2			
	Above appropriate credit rating (*1)	Less than a limited credit rating (*2)	Above appropriate credit rating (*1)	Less than a limited credit rating (*2)	Stage 3	Total
Unused credit limits (*3)	31,009,372	702,150	125,273	335,989	1,785	32,174,569

(*1) Credit grades of corporates are AAA–BBB and consumers' grades are 1–6.

(*2) Credit grades of corporates are BBB–C and consumers' grades are 7–10.
(*3) Provision for unused credit limit as of December 31, 2018, is ₩49,362 million.

8) Industrial distribution of credit risk

Details of the industrial distribution of credit risk of financial assets as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

		December 31, 2018						
		Service	Manufacturing	Bank and insurance	Construction	Consumers	Others	Total
Financial assets at amortized cost	Due from banks	-	-	20,003	-	-	-	20,003
	Loans	1,289	-	-	-	266,878	204	268,371
	Credit card assets	505,316	239,461	51,151	75,502	6,844,126	72,450	7,788,006
	Credit sales	505,279	239,442	51,105	75,502	4,117,746	68,688	5,057,762
	Cash advances	37	19	46	-	577,095	5	577,202
	Card loan	-	-	-	-	2,149,285	-	2,149,285
	Other credit card assets	-	-	-	-	-	3,757	3,757
	Capital financing receivables	86,409	43,645	88	16,921	734,923	7,821	889,807
	Finance lease receivables	19,076	14,130	935	6,451	116,243	4,482	161,317
	Other financial assets at amortized cost	292	120	8,528	44	29,071	260,098	298,153
	Subtotal	612,382	297,356	80,705	98,918	7,991,241	345,055	9,425,657
	Derivative assets	-	-	263	-	-	-	263
	Subtotal	612,382	297,356	80,968	98,918	7,991,241	345,055	9,425,920
Off balance	Unused credit limits	2,249,265	800,361	327,677	213,105	28,280,214	303,947	32,174,569
	Total	2,861,647	1,097,717	408,645	312,023	36,271,455	649,002	41,600,489

		December 31, 2017						
		Service	Manufacturing	Bank and insurance	Construction	Consumers	Others	Total
Loans and receivables	Due from banks	-	-	20,003	-	-	-	20,003
	Loans	1,375	-	-	-	258,934	341	260,650
	Credit card assets	448,682	178,033	82,764	61,985	5,811,349	65,637	6,648,450
	Credit sales	448,639	178,013	82,764	61,984	3,269,251	63,394	4,104,045
	Cash advances	43	20	-	1	556,470	-	556534
	Card loan	-	-	-	-	1,985,628	-	1,985,628
	Other credit card assets	-	-	-	-	-	2,243	2,243
	Capital financing receivables	31,639	15,015	12	4,812	500,524	2,999	555,001
	Finance lease receivables	6,262	5,010	732	2,031	41,544	4,504	60,083
	Other loan and receivables	223	76	10,363	20	26,554	212,084	249,320
	Subtotal	488,181	198,134	113,874	68,848	6,638,905	285,565	7,793,507
	Derivative assets			1,193				1,193
	Subtotal	488,181	198,134	115,067	68,848	6,638,905	285,565	7,794,700
Off balance	Guarantees	1,200	126	-	-	-	-	1,326
	Unused credit limits	2,166,174	785,776	275,947	201,936	26,862,605	316,900	30,609,338
	Subtotal	2,167,374	785,902	275,947	201,936	26,862,605	316,900	30,610,664
	Total	2,655,555	984,036	391,014	270,784	33,501,510	602,465	38,405,364

9) Regional distribution of credit risk

Details of the regional distribution of credit risk of financial assets as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

		December 31, 2018		
		Korea	Myanmar	Total
Balance	Financial assets at amortized cost:			
	Due from banks	20,003	-	20,003
	Loans	258,484	9,887	268,371
	Credit card assets	7,788,006	-	7,788,006
	Credit sales	5,057,762	-	5,057,762
	Cash advances	577,202	-	577,202
	Card loan	2,149,285	-	2,149,285
	Other credit card assets	3,757	-	3,757
	Capital financing receivables	889,807	-	889,807
	Finance lease receivables	161,317	-	161,317
	Other financial assets at amortized cost	298,149	4	298,153
	Subtotal	9,415,766	9,891	9,425,657
	Derivative assets	263	-	263
	Subtotal	9,416,029	9,891	9,425,920
Off balance	Unused credit limits	32,174,569	-	32,174,569
	Subtotal	32,174,569	-	32,174,569
	Total	41,590,598	9,891	41,600,489

		December 31, 2017		
		Korea	Myanmar	Total
Balance	Loans and receivables:			
	Due from banks	20,003	-	20,003
	Loans	259,102	1,548	260,650
	Credit card assets	6,648,450	-	6,648,450
	Credit sales	4,104,045	-	4,104,045
	Cash advances	556,534	-	556,534
	Card loan	1,985,628	-	1,985,628
	Other credit card assets	2,243	-	2,243
	Capital financing receivables	555,001	-	555,001
	Finance lease receivables	60,083	-	60,083
	Other loans and receivables	249,320	-	249,320
	Subtotal	7,791,959	1,548	7,793,507
	Derivative assets	1,193		1,193
	Subtotal	7,793,152	1,548	7,794,700
Off balance	Guarantees	1,326	-	1,326
	Unused credit limits	30,609,338	-	30,609,338
	Subtotal	30,610,664	-	30,610,664
	Total	38,403,816	1,548	38,405,364

(2) Market risk

Market risk refers to the risk that the Group may lose its trading position due to changes in market factors, such as interest rates, stock prices and exchange rates. Market risk arises from changes in interest rates and exchange rates of unsettled financial instruments and all contracts are subject to certain levels of volatility, depending on interest rates, credit spreads, exchange rates and the prices of equity securities.

1) Management of market risk

Management of market risk is a risk by element. This refers to the process of measuring and determining the sources of risk, and making and applying decisions to avoid, burden or mitigate risks by evaluating the appropriateness of the market risk that is borne by the Group. The Risk Management Committee allocates risk capital to market risk. Risk management is measured by a department, granted by risk factors VaR (Value at Risk, the maximum loss projections) limits, loss limits, etc., on a daily basis, and report regularly to the Risk Management Committee.

2) Interest rate VaR
Interest rate VaR is the maximum loss estimate that indicates the maximum decrease in the net asset value of the Group based on the present point of view due to unfavorable fluctuation of interest rate. It is a measure of market risk VaR. It is used for interest rate risk measurement.

Under the proposed interest rate VaR confidence level using a standard framework of the BIS was measured interest rate VaR of 2% interest rate shock corresponding to 99%. This is a method of calculating the interest rate VaR by using the modified duration Proxy of the maturity interval proposed by BIS. We also assumed that the expected rate of change in the maturity period due to the interest rate shock will be a parallel shift of the benchmark interest rate curve of 200bp. VaR is a commonly used market risk measurement technique; however, this method has some limitations.

VaR estimates the possible loss values under a certain confidence based on historical market change data. However, past market changes cannot reflect all the conditions and circumstances that may arise in the future. As a result, the timing and magnitude of actual losses may vary depending on assumptions in the calculation process.

The risk is measured using the interest rate VaR, which means the maximum amount of loss that can occur under a normal distribution of interest rate risk. The results are as follows:

	December 31, 2018	December 31, 2017
Interest rate VaR	(57,475)	(74,226)

3) Other risks of market risk

A) Interest rate risk
The Group measures and manages the risk of fluctuations in interest rates arising from maturity of assets and liabilities and discrepancies in interest rate conditions. The principal and interest cash flows of assets and liabilities as of the date of interest modification are as follows:

	December 31, 2018						
	Within three months	Three to six months	Six to nine months	Nine to twelve months	One year to five years	More than five years	Total
Financial assets:							
Financial assets at amortized cost	5,827,337	909,674	467,406	465,999	1,743,131	390,716	9,804,263
	5,827,337	909,674	467,406	465,999	1,743,131	390,716	9,804,263
Financial liabilities:							
Borrowings	4,485	-	-	-	-	-	4,485
Debentures	410,034	444,135	507,273	740,524	5,280,304	-	7,382,270
Others	94	185	224	364	-	-	867
	414,613	444,320	507,497	740,888	5,280,304	-	7,387,622

	December 31, 2017						
	Within three months	Three to six months	Six to nine months	Nine to twelve months	One year to five years	More than five years	Total
Financial assets:							

Loans and receivables	5,276,448	719,075	394,455	394,220	1,275,495	342,037	8,401,730
	5,276,448	719,075	394,455	394,220	1,275,495	342,037	8,401,730
Financial liabilities:							
Debentures	364,742	382,863	340,660	228,542	5,156,363	10,287	6,483,457
	364,742	382,863	340,660	228,542	5,156,363	10,287	6,483,457

Repricing date is defined as the date on which interest rates of operational funds and procuring funds can be readjusted before the expiration date. Analysis based on interest expirations is used to analyze assets and liabilities that cause interest margins and interest costs.

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

Foreign currency financial instruments exposed to currency risk by major currencies as of December 31, 2018 and 2017, are as follows. (USD in thousands, SGD in thousands, MMK in thousands and Korean won in millions):

		December 31, 2018						
		USD		SGD		MMK		
		Base currency	Won conversion	Base currency	Won conversion	Base currency	Won conversion	Total (Won)
Exposure		(504,000)	(563,535)	(204,000)	(166,929)	15,163,220	10,969	(719,495)
Assets	Cash and cash equivalents	-	-	-	-	2,764,227	1,999	1,999
	Financial assets at amortized cost	-	-	-	-	13,804,940	9,987	9,987
Liabilities	Borrowings	(500,000)	(559,050)	(204,000)	(166,929)	-	-	(725,979)
	Debentures	(4,000)	(4,485)	-	-	-	-	(4,485)
	Other financial liabilities	-	-	-	-	(1,405,947)	(1,017)	(1,017)
Off-balance derivative exposure amount		500,000	559,050	204,000	166,929	-	-	725,979
Net foreign currency exposure amount		(4,000)	(4,485)	-	-	15,163,220	10,969	6,484

		December 31, 2017						
		USD		SGD		MMK		
		Base currency	Won conversion	Base currency	Won conversion	Base currency	Won conversion	Total (Won)
Exposure		(499,874)	(535,565)	(204,000)	(163,329)	1,930,925	1,519	(697,375)
Assets	Cash and cash equivalents	126	135	-	-	107,378	84	219
	Loans and receivables	-	-	-	-	1,967,503	1,548	1,548
Liabilities	Debentures	(500,000)	(535,700)	(204,000)	(163,329)	-	-	(699,029)
	Other financial liabilities	-	-	-	-	(143,956)	(113)	(113)
Off-balance derivative exposure amount		500,000	535,700	204,000	163,329	-	-	699,029
Net foreign currency exposure amount		126	135	-	-	1,930,925	1,519	1,654

(3) Liquidity risk

Liquidity risk refers to the risk that the Group will not be able to pay its financial obligations at maturity.

1) Management of liquidity risk
Management of liquidity risk refers to risk management to prevent loss due to shortage of funds by effectively

managing liquidity shortage that may occur due to inconsistent maturity of assets or liabilities or unexpected outflow of funds.

The Group classifies assets and liabilities into account units by Asset Liability Management account according to the characteristics of each account, and analyzes the cash flow by various time intervals (e.g., remaining maturity and contract period) with the maturity gap after identifying the gap ratio and manages liquidity risk by maintaining less than the target rate (limit) predetermined gap ratios art.

2) Contract maturity analysis of non-derivative financial liabilities

As of December 31, 2018 and 2017, cash flows of remaining contractual maturity of the main non-derivative financial liabilities are as follows:

	December 31, 2018						
	Within three months	Three to six months	Six to nine months	Nine to twelve months	One year to five years	More than five years	Total
Financial liabilities:							
Borrowings	4,485	-	-	-	-	-	4,485
Debentures	410,034	444,135	507,273	740,524	5,280,304	-	7,382,270
Total	414,519	444,135	507,273	740,524	5,280,304	-	7,386,755

	December 31, 2017						
	Within three months	Three to six months	Six to nine months	Nine to twelve months	One year to five years	More than five years	Total
Financial liabilities:							
Debentures	364,742	382,863	340,660	228,542	5,156,363	10,287	6,483,457

Maturity analysis above includes both principal and interest cash flows by contractual maturities.

3) Maturity analysis of derivative financial liabilities

Derivative financial instruments for hedging purposes are cash inflows that were estimated by offsetting cash outflows.

As of December 31, 2018 and 2017, cash flow maturities of derivative financial liabilities are as follows:

	Remaining maturity						
	Within three months	Three to six months	Six to nine months	Nine to twelve months	One year to five years	More than five years	Total
December 31, 2018	(1,880)	(683)	8,080	14,133	14,104	-	33,754
December 31, 2017	(397)	(588)	(772)	(923)	58,320	-	55,640

5) Maturity analysis of off-consolidated statements of financial position accounts

Guarantees and loan commitments like guarantees for debenture issuance and guarantees for loans, which are financial guarantees provided by the Group have expiration dates. However, upon request of transaction counterparty, the Group will carry out a payment immediately. Details of off-consolidated statements of financial position accounts are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Guarantees (credit card restricted for purchase)	-	1,326

Loan commitments (unused credit limits)	32,174,569	30,609,338

(4) Capital management

The Korean Financial Services Commission provides sound management of credit-specialized financial companies and establishes the adequacy of capital in order to prevent financial accidents. As a result, the credit finance company must maintain at least 8/100 of the adjusted capital ratio for the adjusted total assets according to the management guidance ratio set by the supervisory regulations, and calculate the adjusted capital adequacy ratio quarterly.
Adjusted total assets and adjusted shareholders' equity are calculated based on the financial statements of the financial specialist company, taking into consideration the criteria set by the Bank of International Settlement and reflecting the characteristics of the business of the specialized credit company.
Adjusted total assets are the sum of cash and cash equivalents, short-term deposits with no collateral agreements, government bonds and deductible items with maturities of three months or less, and each deduction of cumulative unrealized gains or losses on such loans.

Adjusted equity capital is the amount obtained by deducting the deductible from the basic capital, plus the supplementary capital (limited to the basic capital range). The supplementary capital is the allowance for doubtful accounts for the normal and preemptive bonds (in case of loan receivables, allowance for doubtful accounts (including unused commitments provisions and loan loss reserves) on loans receivable are not customers) and unsecured subordinated debt (prepayment prohibited the subordinated Muro remaining period of more than 10 years, 100% of the basic capital; for more than five years, it is recognized within the 50% range and if the maturity is less than five years, 20% is deducted each year). In this case, the allowance for loan losses is deducted from the allowance for loan losses by 1.5% of the total assets, and is included in the supplementary capital.

As of December 31, 2018 and 2017, the Group is in compliance with the current capital maintenance requirements imposed externally.

6. CASH AND CASH EQUIVALENTS:

(1) Details of cash and cash equivalents as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Foreign currencies	-	2
Demand deposits	362,202	626,059
Total	362,202	626,061

7. FINANCIAL ASSETS AT FVTOCI AND AFS FINANCIAL ASSETS:

Details of financial assets at FVTOCI and AFS financial assets as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Equity securities:		
Unlisted equity securities	87,544	87,602
Other equity investments	209	31
Total	87,753	87,633

(1) Details of unrealized profit and loss in financial assets at FVTOCI and AFS financial assets as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018			
	Acquisition cost	Unrealized gain (*)	Unrealized loss (*)	Fair value
Equity securities:				
Unlisted equity securities	42,483	45,061	-	87,544
Other equity investments	209	-	-	209
Total	42,692	45,061	-	87,753

	December 31, 2017			
	Acquisition cost	Unrealized gain (*)	Unrealized loss (*)	Fair value
Equity securities:				
Unlisted equity securities	42,483	45,119	-	87,602
Other equity investments	31	-	-	31
Total	42,514	45,119	-	87,633

(*) These amounts do not include the deferred income tax, which is directly deducted from equity.

8. FINANCIAL ASSETS AT AMORTIZED COST AND LOANS AND RECEIVABLES:

(2) Details of financial assets at amortized cost and loans and receivables as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Due from banks	20,003	20,003
Loans	268,371	260,650
Credit card assets	7,788,006	6,648,450
Capital financing receivables	889,807	555,001
Finance lease receivables	161,317	60,083
Other financial assets at amortized cost	298,153	-
Other loan receivables	-	249,320
Total	9,425,657	7,793,507

(3) Details of due from banks as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Due from banks in local currency:		
Due from deposit banks	20,003	20,003

(12) Details of restricted due from banks as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	Counterparty	December 31,2018	Reason for restriction
Due from banks in local currency:			
Due from deposit banks	Woori Bank	3	Guarantee deposit for checking accounts

	Counterparty	December 31, 2017	Reason for restriction
Due from banks in local currency:			
Due from deposit banks	Woori Bank	3	Guarantee deposit for checking accounts

(13) Details of loans as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Loans	287,602	275,016
Deferred loan origination costs and fees	464	828
Provision for credit losses	(19,695)	(15,194)
Total	268,371	260,650

(14) Details of credit card assets as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Credit card assets:		
Credit sales proceeds:		
Proceeds from general credit sales	2,925,244	2,476,357
Proceeds from installment sales	2,088,840	1,558,690
Proceeds from international credit sales	128,052	116,438
Cash advances	607,025	573,576
Card loan	2,157,120	1,975,445
Refinancing	147,485	131,190
Other credit card assets	3,757	2,243
Provisions for credit losses	(259,613)	(182,060)
Present value of discount	(9,904)	(3,429)
Total	7,788,006	6,648,450

(15) Details of capital financing receivables as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Capital financing receivables	881,014	548,327
Deferred loan origination costs and fees	16,149	9,350
Provision for credit losses	(7,356)	(2,676)
Total	889,807	555,001

(16) Details of finance lease receivables as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Finance lease receivables	155,681	58,371
Deferred loan origination costs and fees	7,908	2,539
Provision for credit losses	(2,272)	(827)
Total	161,317	60,083

(17) Details of other financial assets at amortized cost (other loans and receivables) as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Other financial assets at amortized cost (other loans and receivables):		
Receivables	238,549	190,980
Accrued income	38,722	37,891
Guarantee deposits	22,726	22,219
Others	605	612
Provisions for credit losses	(2,106)	(1,803)
Present value discount	(343)	(579)
Total	298,153	249,320

(18) Changes in the provisions for credit losses for the years ended December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018							
		Transfer between stage classification						
	Beginning balance (*)	Replaced by 12-month expected credit loss	Replaced with expected credit loss for the entire period	Replaced with credit-impaired financial assets	Provision for credit losses	Recoveries of loans previously charged off	Charge-off	Ending balance
Loans:								
Twelve-month expected credit loss	7,467	973	(770)	(164)	10,405	548	(11,158)	7,301
Expected credit loss for the entire period	8,445	(971)	815	(272)	7,434	496	(10,108)	5,839
Credit-impaired financial assets	3,965	(2)	(45)	436	7,810	290	(5,899)	6,555
Credit card assets:								
Twelve-month expected credit loss	57,126	13,846	(5,871)	(530)	62,628	19,402	(81,875)	64,726
Expected credit loss for the entire period	71,463	(13,737)	6,194	(1,427)	78,678	19,579	(82,622)	78,128
Credit-impaired financial assets	102,858	(109)	(323)	1,957	72,184	18,575	(78,383)	116,759
Capital financing receivables:								
Twelve-month expected credit loss	2,312	286	(147)	(20)	1,901	66	(325)	4,073
Expected credit loss for the entire period	663	(226)	217	(10)	1,173	30	(151)	1,696
Credit-impaired financial assets	584	(60)	(70)	30	1,310	53	(260)	1,587
Finance lease receivables:								
Twelve-month expected credit loss	827	68	(23)	(63)	692	-	-	1,501
Expected credit loss for the entire period	158	(68)	23	(37)	241	-	-	317
Credit-impaired financial assets	111	-	-	100	245	-	(2)	454
Other financial assets:								
Twelve-month expected credit loss	624	55	(42)	(5)	105	-	(60)	677
Expected credit loss for the entire period	855	(55)	43	(8)	250	-	(89)	996
Credit-impaired financial assets	635	-	(1)	13	(175)	-	(39)	433
Total	258,093	-	-	-	244,881	59,039	(270,971)	291,042

(*) The beginning balance was restated in accordance with K-IFRS 1109.

	December 31, 2017				
	Beginning balance	Provisions for credit losses	Recoveries of loans previously charged off	Charge-off	Ending balance
Loans	2,121	21,203	68	(8,198)	15,194
Credit card assets	155,368	203,901	51,356	(228,565)	182,060
Capital financing receivables	2,456	337	-	(117)	2,676
Finance lease receivables	432	395	-	-	827
Other financial assets	1,675	187	-	(59)	1,803
Total	162,052	226,023	51,424	(236,939)	202,560

(19) Changes in deferred loan origination costs for the years ended December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018			
	Beginning balance	Increase	Decrease	Ending balance
Deferred loan origination costs	12,717	23,060	(11,256)	24,521

	December 31, 2017			
	Beginning balance	Increase	Decrease	Ending balance
Deferred loan origination costs	4,837	12,790	(4,910)	12,717

9. LEASES:

(1) Present values of finance lease receivables and minimum lease payment as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018		December 31, 2017	
	Gross investment	Present value of minimum lease payment	Gross investment	Present value of minimum lease payment
Less than one year	3,086	2,968	27	27
More than one year, less than five years	174,645	152,713	64,700	58,344
Total	177,731	155,681	64,727	58,371

(2) Details of finance lease receivables as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Net investment in a lease	155,681	58,371
Financial lease expenses	7,908	2,539
Provisions for credit losses	(2,272)	(827)
Total	161,317	60,083

(3) Unearned interest income on gross investment in the finance lease as of December 31, 2018 and 2017, is as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Unearned interest income	22,050	6,356

10. THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES:

The Group classifies and discloses fair value of the financial instruments into the following three-level hierarchy:

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

(1) Fair value hierarchy of financial assets and liabilities measured at fair value as of December 31, 2018 and 2017, is as follows (Unit: Korean won in millions):

	December 31, 2018			
	Fair value	Level 1	Level 2	Level 3
Financial assets:				
Financial assets at FVTOCI	87,753	-	-	87,753
Derivative assets	263	-	263	-
Financial liabilities:				
Derivative liabilities	33,754	-	33,754	-

	December 31, 2017			
	Fair Value	Level 1	Level 2	Level 3
Financial assets:				
AFS financial assets	87,633	-	-	87,633
Derivative assets	1,193	-	1,193	-
Financial liabilities:				
Derivative liabilities	55,651	-	-	55,651

Financial instruments are measured at fair value using a quoted market price in active markets. If there is no active market for a financial instrument, the Group establishes the fair value using valuation techniques. Fair value measurement methods for each type of financial instruments are as follows:

	Fair value measurement technique	Input variables
Financial assets at FVTOCI:	Discounted cash flow model, free cash flow to equity model, comparable companies valuation method, dividend discount model, risk adjustment discount model, estimate the fair value using one or more of the valuation methods judged to be appropriate considering the nature of the valuation object in the net asset valuation method.	Risk-free market rate of return, market risk premium, corporate beta and others
Derivative:	Determining the fair value of derivatives, such as interest rate swaps, currency swaps and others, based on input variables observable in the market, is based on the valuation techniques generally used by market participants.	Risk-free market rate of return, forward rate, exchange rate and others

Measurement techniques of the financial assets and financial liabilities of Level 3 that are recorded at fair value and significant unobservable inputs are as follows:

	Fair value measurement technique	Input variable	Range
Financial assets at FVTOCI	External appraisal value and others	Expected growth rate and others	0%–1%

Fair value of financial assets and liabilities classified into Level 3 uses external evaluation or value that is independently appraised by the Group. Adequacy of non-observable inputs used in measuring fair value is reviewed at all times.

(5) Changes in financial assets and liabilities classified into Level 3 for the years ended December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018					
	Beginning	Net loss	Other comprehensive income	Purchases	Disposals	Ending
Financial assets:						
Financial assets at FVTOCI	87,633	-	(58)	178	-	87,753

	December 31, 2017					
	Beginning	Net loss	Other comprehensive income	Purchases	Disposals	Ending
Financial assets:						
AFS financial assets	81,585	(7)	6,355	24	(324)	87,633

(6) The results of the sensitivity analysis of changes in unobservable inputs are as follows:

The sensitivity analysis of the financial instruments has been performed by classifying the favorable and unfavorable changes based on how changes in unobservable assumptions have effects on the fluctuations of financial instruments' value. When the fair value of a financial instrument is affected by more than one unobservable assumption, the table below reflects the most favorable or the most unfavorable changes that result from varying the assumptions individually. There are some instruments, such as stocks and contribution that fair value changes are recognized as other comprehensive income of Level 3 financial instruments, which should be done through sensitivity analysis.

The following table shows the sensitivity analysis to disclose the effect of reasonably possible alternative assumptions on the fair value of a Level 3 financial instrument as of December 31, 2018 and 2017 (Unit: Korean won in millions):

		December 31, 2018			
	Carrying amount of the assets subject to sensitivity analysis (*)	Net income		Other comprehensive income (loss)	
		Favorable	Unfavorable	Favorable	Unfavorable
Financial assets:					
Financial assets at FVTOCI	87,753	-	-	9,281	(2,949)

		December 31, 2017			
	Carrying amount of the assets subject to sensitivity analysis (*)	Net income		Other comprehensive income (loss)	
		Favorable	Unfavorable	Favorable	Unfavorable
Financial assets:					
AFS financial assets	87,633	-	-	7,788	(2,724)

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

(7) Fair value and carrying amount of financial assets and liabilities that are recorded at amortized cost as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	
	Fair value	Carrying value
Financial assets:		
Financial assets at amortized cost	9,647,423	9,425,657
Financial liabilities:		
Borrowings	4,485	4,485
Debentures	7,036,408	7,039,929
Other financial liabilities	1,012,194	1,014,051

	December 31, 2017	
	Fair value	Carrying value
Financial assets:		
Loans and receivables	7,958,618	7,793,5017
Financial liabilities:		
Debentures	6,116,354	6,121,803
Other financial liabilities	625,230	626,044

The financial assets and liabilities discussed above are classified as Level 3.

Financial instruments are measured at fair value using a quoted market price in active markets. If there is no active market for a financial instrument, the Group measures fair value of the financial instruments using valuation techniques. If there is no active market for a financial instrument, fair value measurement techniques and input variable for each type of financial instruments that are recorded at amortized cost are as follows:

	Fair value measurement technique	Input variables
Financial assets at amortized cost (loans and receivables)	The fair value is measured by discounting the cash flows with use of market interest rates applied to the loans, which are similar to the expected cash flow.	Risk-free market rate of return, credit spread and prepayment ratio
Borrowings	The fair value is measured by discounting the cash flows by applying the market discount rate that reflects credit rating of the Group.	Three-month London InterBank Offered Rate ("LIBOR")
Debentures	The fair value is measured by external professional organizations using market information.	Fair value measured by private credit-rating agency

11. PREMISES AND EQUIPMENT:

(6) Details of premises and equipment as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018				
	Land	Building	Properties for business use	Structures in leased office	Total
Acquisition cost	2,487	953	31,817	10,614	45,871
Accumulated depreciation	-	(358)	(14,600)	(8,348)	(23,306)
Net carrying value	2,487	595	17,217	2,266	22,565

	December 31, 2017				
	Land	Building	Properties for business use	Structures in leased office	Total
Acquisition cost	2,487	953	24,066	10,250	37,756
Accumulated depreciation	-	(307)	(10,028)	(7,228)	(17,563)
Net carrying value	2,487	646	14,038	3,022	20,193

(7) Details of changes in premises and equipment for the years ended December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018				
	Land	Building	Properties for business use	Structures in leased office	Total
Beginning balance	2,487	646	14,038	3,022	20,193
Acquisitions	-	-	7,857	729	8,586
Disposal	-	-	(1)	(23)	(24)
Depreciation	-	(51)	(4,765)	(1,342)	(6,158)
Others	-	-	88	(120)	(32)
Ending balance	2,487	595	17,217	2,266	22,565

	December 31, 2017				
	Land	Building	Properties for business use	Structures in leased office	Total
Beginning balance	2,487	698	10,406	3,835	17,426
Acquisitions	-	-	7,538	638	8,176
Disposal	-	-	(6)	(109)	(115)
Depreciation	-	(52)	(3,901)	(1,713)	(5,666)
Others	-	-	1	371	372
Ending balance	2,487	646	14,038	3,022	20,193

12. INTANGIBLE ASSETS:

(3) Details of intangible assets as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018				
	Development cost	Industrial property rights	Others	Membership deposits (*)	Total
Cost of purchases or appraised value	17,080	106	32,166	5,959	55,311
Accumulated depreciation	(3,064)	(65)	(15,832)	-	(18,961)
Accumulated impairment losses	-	-	-	(582)	(582)
Net carrying value	14,016	41	16,334	5,377	35,768

	December 31, 2017				
	Development cost	Industrial property rights	Others	Membership deposits (*)	Total
Cost of purchases or appraised value	14,844	104	27,171	7,544	49,663
Accumulated depreciation	(1,680)	(46)	(11,915)	-	(13,641)
Accumulated impairment losses	-	-	-	(2,166)	(2,166)
Net carrying value	13,164	58	15,256	5,378	33,856

(*) Membership deposits include golf clubs and condominium membership deposits and for these intangible assets, the exact period of useful life cannot be measured. Therefore, the Group has recognized impairment loss for the membership deposits since the recoverable amount is lower than the carrying amount.

(4) Details of changes in intangible assets for the years ended December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018				
	Development cost	Industrial property rights	Others	Membership deposit	Total
Beginning balance	13,164	58	15,256	5,378	33,856
Acquisitions	2,236	2	4,995	1,226	8,459
Disposal	-	-	-	(1,497)	(1,497)
Amortization	(1,384)	(19)	(3,917)	-	(5,320)
Reversal of impairment loss	-	-	-	270	270
Ending balance	14,016	41	16,334	5,377	35,768

	December 31,2017				
	Development cost	Industrial property rights	Others	Membership deposit	Total
Beginning balance	8,808	53	10,496	5,292	24,649
Acquisitions	5,488	23	7,460	202	13,173
Amortization	(1,132)	(18)	(2,700)	-	(3,850)
Impairment loss	-	-	-	(116)	(116)
Ending balance	13,164	58	15,256	5,378	33,856

12. OTHER ASSETS:

Details of other assets as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Other assets:		
Advance payments	12,552	14,840
Prepaid lease assets	1,890	2,123
Prepaid expenses	2,978	1,532
Others	3,047	764
Total	20,467	19,259

13. BORROWINGS AND DEBENTURES:

(3) Details of borrowings as of December 31, 2018, are as follows (Unit: Korean won in millions):

	December 31, 2018		
	Provider	Interest rate (%)	Amount
Borrowings:			
Short-term borrowings	Woori Bank (Singapore)	Three-month LIBOR + 1.4	4,485

(4) Details of other financial institution borrowings as of December 31, 2018, are as follows (Unit: Korean won in millions):

	December 31, 2018		
	Bank	Non-bank	Total
Short-term borrowings	4,485	-	4,485

(5) Details of debentures as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018		
	Interest rate (%)	Maturity	Amount
Carrying value of bond:			7,045,979
Debentures in local currency	1.56–3.61	2019.01.16–2023.11.24	6,320,000
Debentures in foreign currency	1.57–1.98	2019.06.28–2021.02.25	725,979
Less:			(6,050)
Discount on bonds			(6,050)
Total			7,039,929

	December 31, 2017		
	Interest rate (%)	Maturity	Amount
Carrying value of bonds:			6,129,029
Debentures in local currency	1.49–3.64	2018.10.02–2023.11.24	5,430,000
Debentures in foreign currency	1.57–1.74	2019.06.28–2021.02.25	699,029
Less:			(7,226)
Discount on bonds			(7,226)
Total			6,121,803

14. PROVISIONS:

(4) Details of provisions as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Provisions for guarantees	-	3
Provisions for unused commitments	49,144	29,805
Provision for credit card points	-	6,122
Asset retirement obligation	5,234	5,215
Provision for illegal use of credit cards	466	611
Other provisions	198	208
Total	55,042	41,964

(5) Changes in provisions for the years ended December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018						
	Provisions for guarantees	Provisions for unused commitments	Provision for credit card point	Asset retirement obligation	Provision for illegal use of credit card	Other provisions	Total
Beginning balance:							
Provisions according to K-IFRS 1039	3	29,805	6,122	5,215	611	208	41,964
Adjustments according to K-IFRS 1109	-	19,455	-	-	-	-	19,455
Adjustments according to K-IFRS 1115	-	-	(6,122)	-	-	-	(6,122)
Provisions provided	-	-	-	96	294	-	390
Reversal of unused amount	(3)	(116)	-	(49)	-	(10)	(178)
Provisions used	-	-	-	(91)	(864)	-	(955)
Others	-	-	-	63	425	-	488
Ending balance	-	49,144	-	5,234	466	198	55,042

	December 31, 2017						
	Provisions for guarantees	Provisions for unused commitments	Provision for credit card point	Asset retirement obligation	Provision for illegal use of credit card	Other provisions	Total
Beginning balance	124	33,844	5,564	4,917	895	198	45,542
Provisions provided	-	-	16,745	96	272	10	17,123
Reversal of unused amount	(121)	(4,039)	-	(13)	-	-	(4,173)
Provisions used	-	-	(18,994)	(153)	(556)	-	(19,703)
Others	-	-	2,807	368	-	-	3,175
Ending balance	3	29,805	6,122	5,215	611	208	41,964

(6) Changes in provisions for guarantees and unused commitments are as follows (Unit: Korean won in millions):

1) Provisions for guarantees

	December 31, 2018			
	Twelve-month expected credit loss	Expected credit loss for the entire period	Credit-impaired financial assets	Total
Beginning balance	3	-	-	3
Replaced by 12-month expected credit loss	-	-	-	-
Replaced with expected credit loss for the entire period	-	-	-	-
Replaced with credit-impaired financial assets	-	-	-	-
Provisions provided	(3)	-	-	(3)

(reversal of unused amount)				
Ending balance	-	-		-

2) Provisions for unused commitments

	December 31, 2017			
	Twelve-month expected credit loss	Expected credit loss for the entire period	Credit-impaired financial assets	Total
Beginning balance (*)	32,778	14,770	1,712	49,260
Replaced by 12-month expected credit loss	6,062	(5,845)	(217)	-
Replaced with expected credit loss for the entire period	(1,556)	1,700	(144)	-
Replaced with credit-impaired financial assets	(136)	(251)	387	-
Provisions provided (reversal of unused amount)	(4,354)	4,349	(111)	(116)
Ending balance	32,794	14,723	1,627	49,144

(*)Beginning balance includes ₩19,455 million of provisions increment according to initial application of K-IFRS 1109.

15. NET DEFINED BENEFIT LIABILITIES (ASSETS):

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

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

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

(10) Details of net defined benefit liabilities (assets) as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	28,281	22,117
Fair value of plan assets	(28,624)	(23,604)
Net defined benefit liabilities (assets)	(343)	(1,487)

(11) The amounts recognized in the consolidated statements of comprehensive income for the years ended December 31, 2018 and 2017, relating to defined benefit plans are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Current service cost	4,866	4,425
Net interest cost	(122)	(43)
Cost recognized in net income	4,744	4,382
Remeasurements	1,737	409
Income tax effect	(612)	(99)
Cost recognized in total comprehensive income	5,869	4,692

(12) Changes in the present value of defined benefits for the years ended December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018		
	Present value of defined benefit obligation	Plan assets	Net defined benefit liability
Beginning balance	22,117	(23,604)	(1,487)
Amount recognized as profit or loss:			
Current service cost	4,866	-	4,866
Interest expense (income)	676	(798)	(122)
Subtotal	5,542	(798)	4,744
Remeasurement elements that are recognized in other comprehensive income:			
Return on plan assets	-	316	316
Actuarial gain due to changes in financial assumptions	1,763	-	1,763
Actuarial loss due to empirical adjustments	(342)	-	(342)
Subtotal	1,421	316	1,737
Payment of contribution	-	(5,160)	(5,160)
Benefit from plan asset:			
Benefit paid (received)	(799)	622	(177)
Ending balance	28,281	(28,624)	(343)

	December 31, 2017		
	Present value of defined benefit obligation	Plan assets	Net defined benefit liability
Beginning balance	18,252	(17,782)	470
Amount recognized as profit or loss:			
Current service cost	4,425	-	4,425
Interest expense (income)	456	(499)	(43)
Subtotal	4,881	(499)	4,382
Remeasurement elements that are recognized in other comprehensive income:			
Return on plan assets	-	290	290
Actuarial gain due to changes in financial assumptions	(2,077)	-	(2,077)
Actuarial gain due to changes in demographic assumptions	1,371	-	1,371
Actuarial loss due to empirical adjustments	825	-	825
Subtotal	119	290	409
Payment of contribution	-	(6,713)	(6,713)
Benefit from plan asset:			
Benefit paid	(1,135)	1,100	(35)

	December 31, 2017		
	Present value of defined benefit obligation	Plan assets	Net defined benefit liability
Ending balance	22,117	(23,604)	(1,487)

(13) The significant actuarial assumptions used in the defined benefit obligation assessment as of December 31, 2018 and 2017, are as follows (Unit: %):

	December 31, 2018	December 31, 2017
Discount rate	2.65	3.12
Inflation rate	2.21	2.10
Future wage growth rate	4.82	4.56

(14) The sensitivity of actuarial assumptions used in the assessment of defined benefit obligation as of December 31, 2018 and 2017, is as follows (Unit: Korean won in millions):

	December 31, 2018	
	Impact on the defined benefit obligation	
	Increase	Decrease
The change of 1% in discount rate	(2,938)	3,460
The change of 1% in future salary growth rate	3,443	(2,979)

	December 31, 2017	
	Impact on the defined benefit obligation	
	Increase	Decrease
The change of 1% in discount rate	(2,313)	2,720
The change of 1% in future salary growth rate	2,723	(2,357)

(15) Details of plan assets as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Saving deposits	28,623	23,604
Ratio (%)	100	100

(9) The contribution expected to be paid in the next accounting year amounts to ₩5,601 million.

(10) Retirement benefit cost measured with respect to the defined contribution for the years ended December 31, 2018 and 2017, is as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Severance benefits-defined contribution	151	321

16. DERIVATIVES:

The Group has Korean won floating-rate debentures and foreign currency-denominated bonds entered into an interest rate swap and currency swap contracts to hedge the cash flow variation risk of bonds.

(9) Details of derivative assets and derivative liabilities as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018		
		Liabilities for cash flow hedge	
	Notional amount	Assets	Liabilities
Interest rate swap	200,000	263	665
Currency swap	725,979	-	33,089
Total	925,979	263	33,754

	December 31, 2017		
		Liabilities for cash flow hedge	
	Notional amount	Assets	Liabilities
Interest rate swap	100,000	1,193	-
Currency swap	699,029	-	55,651
Total	799,029	1,193	55,651

(10) Overview of hedge accounting

As of December 31, 2018, the Group has applied cash flow hedge on won-denominated bonds amounting to ₩199,863 million and foreign currency-denominated bonds amounting to ₩723,308 million. The purpose of the hedging is to avoid the cash flow risk of principal and interest arising from fluctuation of interest rate and exchange rate. The Group has designated interest swap contracts and currency swap contracts as hedging instruments in order to achieve such objectives.

Pursuant to the interest rate swap agreement, by swapping the calculated difference between the fixed interest rate and floating interest rate applied to the nominal value, the cash flow fluctuation risk is hedged as the Korean won-denominated debentures' floating interest rate terms are converted to fixed interest rate. In addition, in accordance with the currency swap agreement, the principal amount is exchanged on the commencement date, a fixed interest rate is applied to the nominal value determined in advance, the calculated amount is paid and the amount calculated by applying the floating rate to the US dollar is exchanged. On the end date, the principal exchanged on the start date is returned. As a result, it is to eliminate the cash flow fluctuation risk. Pursuant to the interest rate swap agreement and the currency swap agreement, hedge ratio is determined by matching the nominal value to the face value of the hedging instrument.

In this hedging relationship, only the interest rate fluctuation and the exchange rate fluctuation, which are the most significant part of the cash flow fluctuation factors of the items subject to risk, are designated as the hedged risk and other risk factors, including credit risk, are not included in the hedged risk. Therefore, the ineffective portion of the hedge may arise from the price margin of the trading counterparty and the credit risk fluctuation of either party of the hedged item.

The interest rate swap, the currency swap agreements and the hedged items are subject to market interest rates and exchange rate fluctuations. The Group expects the value of the interest rate swap and currency swap agreements and the value of the hedged item to generally change in the opposite direction.

(11) The nominal amounts of the hedging instrument as of December 31, 2018, are as follows (Unit: Korean won in millions, USD and SGD):

	1 year or less	1 year to 5 years	More than 5 years	Total
Cash flow hedge:				
Interest rate risk:				
Interest rate swap	-	200,000	-	200,000
Exchange risk and interest rate risk:				
Currency swap (USD)	50,000,000	450,000,000	-	500,000,000
Exchange risk:				
Currency swap (SGD)	-	204,000,000	-	204,000,000

(12) The average exchange rate and average interest rate of the hedging instrument as of December 31, 2018, are as follows:

	Average interest rate and average exchange rate
Cash flow hedge:	
Interest rate risk:	
Interest rate swap (KRW)	Average CD+0.63% received, 2.31% paid CMS 3Y+0.4% received, 2.38% paid
Exchange risk and interest rate risk:	
Currency swap (USD)	USD LIBOR 3M 0.7% received and KRW 1.74% paid, USD/KRW=₩1,136 Average USD LIBOR 1M 0.52% received, KRW 1.71% paid, USD/KRW=₩1,178
Exchange risk:	
Currency swap (SGD)	SGD 1.91% received and KRW 1.98% paid, SGD/KRW=₩828

The amounts related to items designated as hedging instruments as of December 31, 2018, are as follows (Unit: Korean won in millions, USD and SGD):

	Nominal amounts of the hedging instrument	Carrying amounts of the hedging instrument		Line item in the consolidated statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness
		Assets	Liabilities		
Cash flow hedge:					
Interest rate risk:					
Interest rate swap	200,000	263	665	Derivative assets	(1,447)
Exchange risk and interest rate risk:					
Currency swap (USD)	USD 50,000,000	-	28,907	Derivative liabilities	21,582
Exchange risk:					
Currency swap (SGD)	SGD 204,000,000	-	4,182	Derivative liabilities	2,353

(13) Details of the carrying amount to hedged item and amount adjusted due to hedge accounting as of December 31, 2018, are as follows (Unit: Korean won in millions):

	Carrying amounts of the hedging item		Line item in the consolidated statement of financial position in which the hedged item is included	Changing in fair value used for calculating hedge ineffectiveness	Cash flow hedge reserve (*)
	Assets	Liabilities			
Cash flow hedge:					
Interest rate risk:					
Interest rate swap	-	199,863	Debentures	1,461	(169)
Exchange risk and interest rate risk:					
Currency swap	-	557,185	Debentures	(16,790)	(1,211)
Exchange risk:					
Currency swap	-	166,123	Debentures	(1,762)	(2,287))

(*) Amount after tax deduction

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

		Effectiveness of hedging instrument recognized in cash flow hedge reserve	Hedge ineffectiveness recognized in profit or loss	Changes in the value of foreign basis spread recognized in other comprehensive income	Line item in the profit or loss that includes hedge ineffectiveness	Amounts reclassified from cash flow hedge reserve to profit or loss	Line item affected in profit or loss because of the reclassification
Cash flow hedge	Interest rate risk	(1,455)	8	-	Other net operating income	-	Other net operating income
	Exchange risk and interest rate risk	21,429	153	(882)	Other net operating expense	(23,084)	Other net operating income
	Exchange risk	2,353	-	(491)	Other net operating income	(3,601)	Other net operating income

(15) Changes in cash flow hedge reserve related to hedge are as follows (Unit: Korean won in millions):

	Cash flow hedge reserve
Beginning balance	1,704
Profit or loss on hedging recognized in cash flow hedge reserve	21,314
Effective part of the fair value changing of the hedging instrument	22,327
Changing of foreign basis spread	(1,373)
Income tax effect	360
Reclassified amount in profit or loss	(26,685)
Ending balance	(3,667)

17. OTHER FINANCIAL LIABILITIES AND OTHER LIABILITIES:

Other financial liabilities and other liabilities as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Other financial liabilities:		
Accounts payable	719,659	362,120
Accrued expenses	100,043	95,966
Prepaid card liabilities	14,382	15,248
Debit card liabilities	143,322	135,401
Guarantee deposit received for import license	26,547	11,475
Domestic exchange obligation payable	7,260	5,230
Others	2,838	604
Subtotal	1,014,051	626,044

Other liabilities:

Advance received	3,936	8,060
Unearned income	121,748	120,222
Others	8,868	3,489
Subtotal	134,552	131,771
Total	1,148,603	757,815

18. OTHER FINANCIAL LIABILITIES AND OTHER LIABILITIES:

(5) Capital stock and capital surplus as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Capital stock:		
Common stock	896,331	896,331
Capital surplus:		
Capital in excess of par value	127,097	127,097
Total	1,023,428	1,023,428

(6) The numbers of authorized shares as of December 31, 2018 and 2017, are as follows (Unit: Korean won):

	December 31, 2018	December 31, 2017
Authorized shares of capital stock	670,000,000 shares	670,000,000 shares
Par value	5,000	5,000
Issued shares of common stock	179,266,200 shares	179,266,200 shares

(7) Details of capital surplus as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

		December 31, 2018	December 31, 2017
Capital in excess of par value	Increase by issuance of common stock	127,097	127,097

19. OTHER EQUITY:

Changes in other equity for the years ended December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018			
	Beginning balance	Increase (decrease) on valuation	Income tax effect	Ending balance
Accumulated other comprehensive income:				
Gain (loss) on valuation of financial assets at FVTOCI	34,201	(58)	(1,473)	32,670
Remeasurement elements of net defined benefit liability	(3,077)	(1,738)	612	(4,203)
Cash flow hedging gains or losses	1,704	(5,731)	360	(3,667)
Changes in other comprehensive income of foreign operations translation	(286)	(324)	102	(508)
Total	32,542	(7,851)	(399)	24,292

	December 31, 2017			
	Beginning balance	Increase (decrease) on valuation	Income tax effect	Ending balance
Accumulated other comprehensive income:				
Gain (loss) on valuation of AFS securities	29,393	6,343	(1,535)	34,201
Remeasurement elements of net defined benefit liability	(2,767)	(409)	99	(3,077)
Cash flow hedging gains or losses	(118)	2,155	(333)	1,704
Changes in other comprehensive income of foreign operations translation	(73)	(280)	67	(286)
Total	26,435	7,809	(1,702)	32,542

20. RETAINED EARNINGS:

Details of retained earnings as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Legal reserve:		
Earned surplus reserve	111,745	111,745
Voluntary reserve:		
Regulatory reserve for credit loss	403,277	342,131
Retained earnings before appropriation	119,222	110,674
Total	634,244	564,550

21. REGULATORY RESERVE FOR CREDIT LOSS:

In accordance with Article 11 of the Regulation on the Supervision of Banking Business ("RSBB"), if provisions for credit loss under K-IFRS for the accounting purpose are lower than those for the regulatory purpose required by RSBB, the Group is required to reserve such difference as regulatory reserve for credit loss.

The regulatory reserve for credit loss is classified as appropriated retained earnings. The excess of provisions under RSBB over provisions for credit loss under K-IFRS can be reversed. If the Group has accumulated deficits, the Group should recommence setting aside reserve for credit loss at the time when the accumulated deficits are offset.

(3) Details of balance of the planned regulatory reserve for credit loss as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Beginning balance	403,277	342,131
Planned reversal of regulatory reserve for credit loss	(16,096)	61,146
Ending balance	387,181	403,277

(4) Planned reserves provided, adjusted net income after the planned reserves provided and adjusted EPS after the planned reserves provided for credit loss as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions, except for EPS amount):

Classification	December 31, 2018	December 31, 2017
Net income	126,534	92,734
Provision (reversal) of regulatory reserve for credit loss (Note 1)	44,626	61,146
Adjusted net income after the provision (reversal) of regulatory reserve	81,908	31,588
Adjusted EPS after the provision (reversal) of regulatory reserve (Unit: KRW)	458	181

(Note 1) The amount of reserve for credit losses has been calculated based only on the change in the reserve for credit loss after the accounting policy change due to adoption of K-IFRS 1109. As a result, the effect of reducing the reserve for credit losses due to changes in accounting policies was excluded.

22. NET INTEREST INCOME:

Net interest income is the amount of interest expenses deducted from the amount of interest income, of which details of credit loss as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

Classification	December 31, 2018	December 31, 2017
Interest income:		
Interest on due from banks	1,719	3,112
Interest on financial assets at amortized cost	667,187	-
Interest on loans and receivables	-	596,438
Subtotal	668,906	599,550
Interest expenses:		
Interest on borrowings	998	868
Interest on debentures	159,588	134,915
Others	530	164

Subtotal	161,116	135,947
Net interest income	507,790	463,603

23. NET FEES AND COMMISSIONS INCOME:

Net fees and commission income are the amount of fees and commission expenses deducted from the amount of fees and commission income, of which details of credit loss as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

Classification	December 31, 2018	December 31, 2017
Commission received:		
Commission received on credit card	607,351	1,059,857
Commission received on loans and discounts	997	230
Commission received on installment financing	825	419
Commission received on financial lease	1,971	469
Other commission received	965	837
Subtotal	612,109	1,061,812
Commission expenses:		
Commission expenses on credit card	580,971	1,010,363
Commission expenses on loans and discounts	4,345	6,401
Commission expenses on installment financing	1,409	4,032
Commission expenses on financial lease	1,597	1,282
Other commission expenses	11,489	9,297
Subtotal	599,811	1,031,375
Net fees and commission income	12,298	30,437

24. DIVIDEND INCOME:

Details of dividend income recognized for credit loss as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

Classification	December 31, 2018	December 31, 2017
Financial assets at FVTOCI (AFS financial assets):		
Dividend in local currency	9,026	7,410
Distribution of capital contribution	1,128	1,299
Total	10,154	8,709

25. GAINS OR LOSSES RELATED TO FINANCIAL INSTRUMENTS AT FVTPL:

Details of gains or losses related to financial assets at FVTPL (K-IFRS 1109 and K-IFRS 1039) for credit loss as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

Classification	December 31, 2018	December 31, 2017
Net gain (loss) on disposal of financial instruments at FVTPL	2,749	1,514

26. GAINS OR LOSSES ON AFS FINANCIAL ASSETS:

Details of gains or losses on AFS financial assets for credit loss as of December 31, 2017, are as follows (Unit: Korean won in millions):

Classification	2017
Gain on disposal of AFS financial assets	346
Impairment loss on AFS financial assets	(92)
Total	254

27. IMPAIRMENT LOSSES DUE TO CREDIT LOSS:

Impairment losses for loans, other receivables, guarantees and unused commitments for credit loss as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

Classification	December 31, 2018	December 31, 2017
Financial assets at amortized cost:		
Bad debt expense	244,881	226,023
Guarantees and commitments:		
Provision for guarantees:		
Reversal of provision for guarantees	(3)	(121)
Provision for unused commitments:		
Reserve (reversal) of provision for unused commitments	(116)	(4,039)
Subtotal	(119)	(4,160)
Total	244,762	221,863

28. GENERAL AND ADMINISTRATIVE EXPENSES AND OTHER OPERATING INCOME (EXPENSE):

(3) Details of general and administrative expenses for credit loss as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

Classification	2018	2017
Salaries:		
Short-term employee benefits:		
Salaries and wages	56,073	50,354
Employee benefits	12,733	11,825
Retirement benefit service costs	4,895	5,769
Subtotal	73,701	67,948
Depreciation	6,158	5,666
Amortization	5,320	3,850
Other general and administrative expenses:		
Reimbursement	787	718
Business taskforce cost	1,351	1,014
Rent expense	17,726	18,077
Advertising	4,022	3,487
Taxes and public dues	13,693	13,258
Computer and IT-related expense	31,716	32,948
Service charges	3,787	5,108
Telephone and communication	5,793	5,330
Supplies	527	503
Others	6,184	5,629
Subtotal	85,586	86,072
Total	170,765	163,536

(4) Details of net other operating income (expenses) for credit loss as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

Classification	December 31, 2018	December 31, 2017
Other operating income:		
Gain on sale of loans	35,350	3,859
Gain on valuation of derivatives	26,698	128
Reversal of provision for other provisions (*)	59	13
Gain on translation of foreign currency	-	56,621
Other income	30,687	23,258
Subtotal	92,794	83,879
Other operating expenses:		
Loss on sale of loans	5	-
Loss on valuation of derivatives	-	56,585
Provision for credit card points	-	16,745
Provision for other provisions (*)	390	378
Loss on translation of foreign currency	27,597	-
Other expenses	15,494	6,427
Subtotal	43,486	80,135
Total	49,308	3,744

(*) Provision for restoration, provision for illegal use of credit card and other provisions are included.

29. NON-OPERATING INCOME (EXPENSES):

Details of other non-operating income (expenses) for credit loss as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

Classification	December 31, 2018	December 31, 2017
Non-operating income:		
Reversal of intangible asset impairment loss	270	-
Other income	3,478	2,263
Subtotal	3,748	2,263
Non-operating expenses:		
Tangible asset waste loss	24	104
Loss on disposal of intangible assets	27	-
Impairment of intangible assets	-	116
Donation	3,846	2,723
Other expenses	110	101
Subtotal	4,007	3,043
Total	(259)	(780)

30. INCOME TAX EXPENSE:

(6) Details of income tax expense for credit loss as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Current income tax payable	26,787	28,414
Adjustment recognized in the period for current tax of prior periods	(224)	(532)
Changes in deferred income taxes due to temporary differences	(4,333)	3,168
Changes in deferred income taxes directly reflected in equity	(399)	(1,702)
Other changes	18,148	-
Income tax expense	39,979	29,348

(7) The relationship between income tax expense and income before income tax expense for credit loss as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Net income before income tax expense	166,513	122,082
Tax calculated at statutory tax rate (*)	39,834	29,082
Adjustments:		
Effect of non-taxable income	(8,169)	(549)
Effect of non-deductible expenses	4,125	210
Adjustment recognized in the period for current tax of prior periods	(224)	(532)
Others	4,413	1,137
Income tax expense	39,979	29,348
Effective tax rate	24.01%	24.04%

(*) The corporate tax rate is 11% for income below ₩200 million, 22% for income more than ₩200 million and below ₩20 billion, 24.2% for income more than ₩20 billion and below ₩300 billion and 27.5% for income more than ₩300 billion.

(8) Changes in cumulative temporary differences as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018			
	Beginning balance	Recognized as income (loss)	Recognized as other comprehensive income (loss)	Ending balance
Unearned income in local currency (card point)	28,898	4,079	-	32,977
Other provisions	8,893	6,005	-	14,898
Gain on valuation of FVTOCI	(10,922)	3	(1,473)	(12,392)
Gain on valuation of securities	(9,348)	(1,365)	-	(10,713)
Unconfirmed expenses	8,972	(2,540)	-	6,432
Retirement benefit obligation	5,212	1,841	612	7,665
Provision for retirement insurance benefits	(4,111)	(1,706)	-	(5,817)
Asset retirement obligation	1,262	177	-	1,439
Impairment loss on membership	661	(345)	-	316
Discount on present value of installment receivable	830	1,894	-	2,724
Amortization of goodwill	307	(307)	-	-
Asset retirement obligation on leased office facilities	(677)	(665)	-	(1,342)
Gain (loss) on fair value of properties for business use	(298)	(41)	-	(339)
Deferred loan origination cost (fee)	(3,078)	(3,665)	-	(6,743)
Leased office facilities	342	803	-	1,145
Impairment loss on FVTOCI	32	5	-	37
Gain on fair value of buildings for business use	92	21	-	113
Loss on valuation of derivatives	735	(688)	360	407
Gain (loss) on foreign currency translation of foreign operations	91	-	102	193
Others	156	1,226	-	1,382
Net deferred tax assets (liabilities)	28,049	4,732	(399)	32,382

	December 31, 2017			
	Beginning balance	Recognized as income (loss)	Recognized as other comprehensive income (loss)	Ending balance
Unearned income in local currency (card point)	27,950	948	-	28,898
Other provisions	9,778	(885)	-	8,893
Gain on valuation of AFS financial assets	(9,384)	(3)	(1,535)	(10,922)
Gain on valuation of securities	(9,286)	(62)	-	(9,348)
Unconfirmed expenses	8,249	723	-	8,972
Retirement benefit obligation	4,268	845	99	5,212
Provision for retirement insurance benefits	(3,236)	(875)	-	(4,111)
Asset retirement obligation	1,190	72	-	1,262
Impairment loss on membership	633	28	-	661
Discount on present value of installment receivable	507	323	-	830
Amortization of goodwill	307	-	-	307
Asset retirement obligation on leased office facilities	(301)	(376)	-	(677)
Gain (loss) on fair value of properties for business use	(298)	-	-	(298)
Deferred loan origination cost (fee)	-	(3,078)	-	(3,078)
Leased office facilities	227	115	-	342
Impairment loss on AFS financial assets	188	(156)	-	32
Gain on fair value of buildings for business use	126	(34)	-	92
Others	299	949	(266)	982

	December 31, 2017			
	Beginning balance	Recognized as income (loss)	Recognized as other comprehensive income (loss)	Ending balance
Net deferred tax assets (liabilities)	31,217	(1,466)	(1,702)	28,049

(9) Details of deferred tax relating to items that are recognized directly in equity as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018,	December 31, 2017
Loss on valuation of financial assets at FVTOCI	(12,392)	-
Loss on valuation of AFS financial assets	-	(10,919)
Remeasurements of net defined benefit plan	1,594	982
Cash flow hedging gains or losses	64	(296)
Exchange difference in foreign operation	193	91
Total	(10,541)	(10,142)

(10) Current tax assets and liabilities as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Current tax assets	-	-
Current tax liabilities	23,623	13,485

31. EPS:

(1) Details of basic EPS for credit loss as of December 31, 2018 and 2017, are as follows:

Classification	December 31, 2018	December 31, 2017
Net income (Unit: KRW in millions)	126,534	92,734
Weighted-average number of shares outstanding (Unit: In millions)	179	175
Net income per share (Unit: KRW)	706	530

The Group had not diluted potential ordinary shares for the reporting periods. Accordingly, diluted EPS equals basic EPS for credit loss as of December 31, 2018 and 2017.

32. CONTINGENT LIABILITIES AND COMMITMENTS:

(6) Details of guarantees which the Group has provided to others as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions, except ratio):

Confirmed guarantees:	
Credit card restricted for purchase	1,326
Provisions for guarantees	3
Ratio (%)	0.23

(7) Details of loan commitments and other commitments, which the Group provided for others, as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions, except ratio):

	December 31, 2018	December 31, 2017
Loan commitments in local currency:		
Unused credit limits	32,174,569	30,609,338
Provisions for unused commitments	49,144	29,805
Ratio (%)	0.15	0.10

(8) Details of loan commitments and other commitments, which the Group was provided, at December 31, 2018, are as follows (Unit: Korean won in millions):

	December 31, 2018	
	Financial company	Limited amount
Loan commitment	Woori Bank	500,000

(9) Details of lawsuits that the Group has filed and faced as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	
	As plaintiff	As defendant
Number of cases	17 cases	12 cases
Amount of litigation	29,032	184

	December 31, 2017	
	As plaintiff	As defendant
Number of cases	10 cases	11 cases
Amount of litigation	1,777	301

As of December 31, 2018 and 2017, the lawsuits discussed above do not include litigations in regard to electronic claims for late payment on credit cards. Accordingly, these lawsuits have no significant impact on the consolidated financial statements as of December 31, 2018 and 2017.

(10) Early redemption in relation to asset securitization
As prescribed by the agreements, risk of investors based on the changes in asset quality is limited due to the trigger condition that is created for credit supplement.
The Group has an obligation to early redeem the asset-backed securities in case the trigger condition is breached.

(11) Others
Among the receivables that have been written off, the Group recognizes the following items as written-off loans: a) loans that are legally effective since the statute of limitations has not expired or b) loans that the Group still has the right to claim against debtors due to the failure of collection of written-off loans.
Accordingly, the balances of the Group's written-off loans as of December 31, 2018 and 2017, are ₩1,026,370 million and ₩924,740 million, respectively.

33. ASSET-BACKED SECURITIZATION:

The Group has transferred some of its financial instruments, such as credit card receivables, to the trust company pursuant to the Asset-Backed Securitization Act.

(3) The initial transfer price of the credit card receivable that the Group sold by the Asset-Backed Securitization Act is as follows (Unit: Korean won in millions):

	Initial transfer date	Transfer value (*)
Woori Card 2017-1 Asset Securitization Specialty Co., Ltd.	2017.01.23	692,495
Woori Card 2017-2 Asset Securitization Specialty Co., Ltd.	2017.11.09	672,383
Woori Card 2018-1 Asset Securitization Specialty Co., Ltd.	2018.10.31	567,997

(*) The effects of provision and present value discount are excluded.

(4) The receivables sold, but uncollected by the Asset-Backed Securitization Act as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	Assets sold	December 31, 2018	December 31, 2017
Woori Card 2017-1 Asset Securitization Specialty Co., Ltd.	Credit card assets	631,282	583,645
Woori Card 2017-2 Asset Securitization Specialty Co., Ltd.	Credit card assets	565,691	534,395
Woori Card 2018-1 Asset Securitization Specialty Co., Ltd.	Credit card assets	524,552	-

34. RELATED-PARTY TRANSACTIONS:

(10) Related parties of the Group

1) The Parent Company of the Group as of December 31, 2018, is Woori Bank (100% share ratio).

2) As of December 31, 2018, related parties of the Group are summarized as follows:

	Related parties
Parent	Woori Bank
Others	Woori FIS Co., Ltd., Woori Private Equity Co., Ltd., Woori Finance Research Institute Co., Ltd., Woori Investment Bank Co., Ltd., Woori Credit Information Co., Ltd., Woori America Bank, PT Bank Woori Saudara Indonesia 1906 Tbk, Woori Global Markets Asia Limited, Woori Bank China Limited, Ao Woori Bank, Banco Woori Bank do Brasil S.A., Korea BTL Infrastructure Fund, Woori Fund Service Co., Ltd., Woori Finance Cambodia PLC, WB Finance Co., Ltd., Woori Finance Myanmar Co., Ltd., Wealth Development Bank, Woori Bank Vietnam Limited, Woori Bank Principal and Interest Guaranteed Trust, Woori Bank Principal Guaranteed Trust, Kumho Trust 1st Co., Ltd. and 34 SPCs, HeungkukWoori Tech Company Private Placement Investment Trust No. 1 and 6 beneficiary certificates, Woori Service Networks Co., Ltd., Korea Credit Bureau Co., Ltd., Korea Finance Security Co., Ltd., Chin Hung International Inc., 2016KIF-IMM Woori Bank Technology Venture Fund, K BANK Co., Ltd., Well to Sea No. 3 Private Equity Fund and others (Dongwoo C&C Co., Ltd. and 28 associates)

(11) The Group's key management includes the registered directors and executives with important authority and responsibilities for plans, operations and regulations of the Group's activities. Details of compensation for key management for credit loss as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Salaries	3,215	3,470
Severance and retirement benefits	121	319

(12) Significant transactions with related parties for credit loss as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	Related parties	December 31, 2018 Interest revenue	Interest expense	Commission income	Commission expense	Bad debt expense (reversal)	Other operating income
Parent	Woori Bank	62	997	211	142,430	-	968
Others	Woori Credit Information Co. Ltd.	-	-	-	7,434	-	3,099
	Woori FIS Co., Ltd.	4	-	27	12	-	29,677
	Woori Finance Research Institute Co., Ltd.	-	-	2	1	-	-
	Woori Investment Bank Co., Ltd.	361	-	-	-	-	-
	Korea Credit Bureau Co., Ltd.	-	-	-	2,310	-	-
	Woori Service Networks Co., Ltd.	-	-	-	490	-	277
	Korea Finance Security Co., Ltd.	-	-	-	-	4	146
	Chin Hung International Inc.	-	-	-	-	12	-
	Total	427	997	240	152,677	16	34,167

	Related parties	December 31, 2017 Interest revenue	Commission income	Commission expense	Bad debt expense (reversal)	Other operating income
Parent	Woori Bank	74	131	143,072	-	809
Others	Woori Credit Information Co. Ltd.	-	-	5,529	-	2,753
	Woori FIS Co., Ltd.	4	27	11	-	29,327
	Woori Finance Research Institute Co., Ltd.	-	3	129	-	-
	Woori Investment Bank Co., Ltd.	902	-	-	-	-
	Korea Credit Bureau Co., Ltd.	-	-	2,079	-	-
	Woori Service Networks Co., Ltd.	-	-	422	-	274
	Korea Finance Security Co., Ltd.	-	-	-	-	134
	Kumho Tires Co., Ltd.	-	-	-	75	-
	Chin Hung International Inc.	-	-	-	(254)	-
	STX Engine Co., Ltd.	-	-	-	36	-
	STX Corporation	-	-	-	19	-
	Total	980	161	151,242	(124)	33,297

(13) Significant balances with related parties as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

		December 31, 2018					
		Receivables				Payable	
Related parties		Credit card asset	Provision for credit losses	Deposits	Other assets	Borrowings	Other liabilities
Parent	Woori Bank	11,428	(3)	78,490	3,088	4,485	14,961
Others	Woori Credit Information Co. Ltd.	88	-	-	-	-	1,040
	Woori Fund Service Co., Ltd.	41	-	-	-	-	-
	Woori FIS Co., Ltd.	559	-	-	-	-	3,911
	Woori Private Equity Co., Ltd.	28	-	-	-	-	-
	Woori Finance Research Institute Co., Ltd.	34	-	-	-	-	-
	Woori Investment Bank Co., Ltd.	180	-	50,000	23	-	-
	Korea Credit Bureau Co., Ltd.	7	-	-	-	-	-
	Woori Service Networks Co., Ltd.	69	-	-	-	-	-
	Korea Finance Security Co., Ltd	58	(4)	-	-	-	5
	Chin Hung International Inc.	241	(34)	-	-	-	14
	K BANK Co., Ltd.	185	-	-	-	-	-
Total		12,918	(41)	128,490	3,111	4,485	19,931

		December 31, 2017				
		Receivables				Payable
Related Parties		Credit card asset	Provision for credit losses	Deposits	Other assets	Other liabilities
Parent	Woori Bank	11,088	(2)	65,326	3,905	9,492
Others	Woori Credit Information Co. Ltd.	123	-	-	-	1,070
	Woori Fund Service Co., Ltd.	40	-	-	-	-
	Woori FIS Co., Ltd.	511	-	-	-	-
	Woori Private Equity Co., Ltd.	18	-	-	-	-
	Woori Finance Research Institute Co., Ltd.	36	-	-	-	-
	Woori Investment Bank Co., Ltd.	168	-	-	-	-
	Korea Credit Bureau Co., Ltd.	6	-	-	-	-
	Woori Service Networks Co., Ltd.	45	-	-	-	-
	Korea Finance Security Co., Ltd.	56	-	-	-	-
	Kumho Tires Co., Ltd.	364	(91)	-	-	49
	Chin Hung International Inc.	408	(22)	-	-	2
	STX Engine Co., Ltd.	132	(131)	-	-	-
	STX Corporation	47	(46)	-	-	53
	K BANK Co., Ltd.	212	-	-	-	-
Total		13,254	(292)	65,326	3,905	10,666

In addition, the Group provided Woori Bank and Hong Kong Woori Investment Bank with a fee of ₩50 million and ₩30 million, respectively, for the issuance of the asset-backed securitization.

(14) Changes in credit card asset for credit loss as of December 31, 2018, are as follows (Unit: Korean won in millions):

Related parties		Beginning balance	Increase	Decrease	Ending balance
Parent	Woori Bank	11,088	216,989	216,649	11,428
Others	Woori Credit Information Co. Ltd.	123	1,602	1,637	88
	Woori Fund Service Co., Ltd.	40	571	570	41
	Woori FIS Co., Ltd.	511	6,258	6,210	559
	Woori Private Equity Co., Ltd.	18	379	369	28
	Woori Finance Research Institute Co., Ltd.	36	252	254	34
	Woori Investment Bank Co., Ltd.	168	2,549	2,537	180
	Korea Credit Bureau Co., Ltd.	6	54	53	7
	Woori Service Networks Co., Ltd.	45	422	398	69
	Korea Finance Security Co., Ltd	56	638	636	58
	Chin Hung International Inc.	408	2,269	2,436	241
	K BANK Co., Ltd.	212	2,073	2,100	185

(15) Details of borrowing transactions with the related parties for credit loss as of December 31, 2018, are as follows (Unit: Korean won in millions):

		December 31, 2018	
		Financing transactions	
Related parties		Borrowings	Repayment
Parent	Woori Bank (Singapore)	4,485	-

(16) There are no significant equity transactions with the related parties for credit loss as of December 31, 2018 and 2017.

(17) Guarantees between the related parties as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

1) Guarantees provided to the related parties are as follows:

	Warranty	December 31, 2018	December 31, 2017
Woori Bank	Loan commitment	174,287	178,893
Woori FIS Co., Ltd.	Loan commitment	1,154	2,226
Woori Credit Information Co., Ltd.	Loan commitment	695	661
Woori Private Equity Co., Ltd.	Loan commitment	172	182
Woori Fund Service Co., Ltd.	Loan commitment	59	60
Woori Finance Research Institute Co., Ltd.	Loan commitment	294	318
Woori Investment Bank Co., Ltd.	Loan commitment	320	354
Chin Hung International Inc.	Loan commitment	309	142
Korea Finance Security Co., Ltd.	Loan commitment	203	204
Korea Credit Bureau Co., Ltd	Loan commitment	28	29
Woori Service Networks Co., Ltd.	Loan commitment	131	155
Kumho Tires Co., Ltd. (Note 1)	Loan commitment	-	636
STX Corporation (Note 2)	Loan commitment	-	53
K BANK Co., Ltd.	Loan commitment	15	-

(Note 1) It was a related entity of the Parent Company, but it was excluded from the associate because it lost significant influence due to the third-party rights offering.

(Note 2) The company was a related party of the Parent Company, but was excluded from the associate in the current year after the replacement with the asset held for sale.

2) Guarantees received from related parties

Unused commitments received from Woori Bank as of December 31, 2018 and 2017, are ₩500,000 million each.

(18) Details of derivative assets and commitment amount related to the liabilities with related parties as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

		December 31, 2018	December 31, 2017
Woori Bank	Unsettled commitment	100,000	100,000

(10) The Group has the responsibility to jointly reimburse Woori Bank for the debts of Woori Bank prior to the split.

35. CONSOLIDATED STATEMENTS OF CASH FLOWS:

(1) Major transactions without cash inflows and outflows as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

	December 31, 2018	December 31, 2017
Other comprehensive income - fair value measurement		
Changes in other comprehensive income related to the valuation of financial assets	(58)	-
Changes in other comprehensive income related to the valuation of AFS financial asset	-	6,343
Changes in other comprehensive income related to remeasurement of defined benefit plans	(1,737)	(409)
Changes in other comprehensive income related to cash flow hedge	(5,730)	2,403
Changes in other comprehensive income related to translation of overseas business	(320)	(294)

(2) Changes in liabilities arising from financial activities as of December 31, 2018 and 2017, are as follows (Unit: Korean won in millions):

December 31, 2018					
			Non-cash transaction		
	Foundation	Financial activity cash flow	Currency fluctuation	Amortization	Term
Borrowing debt	-	3,839	646	-	4,485
Issued bonds	6,121,803	887,802	26,951	3,373	7,039,929

December 31, 2017					
			Non-cash transaction		
	Foundation	Financial activity cash flow	Currency fluctuation	Amortization	Term
Issued bonds	5,317,130	858,745	(56,621)	2,549	6,121,803

36. IMPACT OF ADOPTION OF K-IFRS 1115:

In accordance with the adoption of K-IFRS 1115, the Group has changed its related accounting policies by deducting revenue from rewards and points provided to card members as a consideration for the payment to customers. The effect of changes in accounting policy on each item of consolidated financial statements as of December 31, 2018, is as follows (Unit: Korean won in millions):

	Consolidated financial statements		
	Existing revenue recognition standard	Adjustments	K-IFRS 1115
Assets	9,987,400	-	9,987,400
Liabilities:	8,305,436	-	8,305,436
Borrowing debt	4,485	-	4,485
Issued bonds	7,039,929	-	7,039,929
Provision	59,408	(4,366)	55,042
Current tax liabilities	23,623	-	23,623
Derivative liabilities	33,754	-	33,754
Other financial liabilities	1,014,051	-	1,014,051
Other liabilities	130,186	4,366	134,552
Equity	1,681,964	-	1,681,964

	Consolidated statement of comprehensive income		
	Existing revenue recognition standard	Adjustments	K-IFRS 1115
Operating profit	166,772	-	166,772
Net interest income	507,790	-	507,790
Net commission income	29,693	(17,395)	12,298
Commission revenue	1,138,087	(525,978)	612,109
Fees	1,108,394	(508,583)	599,811
Dividend income	10,154	-	10,154
Profit or loss - fair value measurement Financial assets	2,749	-	2,749
Impairment loss on credit loss	244,762	-	244,762
General maintenance fee	170,765	-	170,765
Other operating income	31,913	17,395	49,308
Non-operating profit / loss	(259)	-	(259)
Net income before income taxes	166,513	-	166,513
Net income	126,534	-	126,534
Total comprehensive income	118,284	-	118,284

The adoption of K-IFRS 1115 has no significant effect on the consolidated statement of cash flows.

37. RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS:

The Group has rewritten previous consolidated financial statements with respect to the attributable errors and misidentification of the corporate alliance points attributable to the annual fee income before December 31, 2017.

(1) The effect on the consolidated financial statements as of January 1, 2017, and for the year ended December 31, 2017, as a result of restatement of the consolidated financial statements is as follows (Unit: Korean won in millions):

	December 31, 2017			January 1, 2017		
	Revised	Revised amount	After revision	Revised	Revised amount	After revision
Assets	8,607,481	3,757	8,611,238	7,606,108	1,050	7,607,158
Deferred income tax assets	24,292	3,757	28,049	30,167	1,050	31,217
Liabilities	6,975,193	15,525	6,990,718	6,180,893	4,338	6,185,231
Other liabilities	116,246	15,525	131,771	116,507	4,338	120,845
Equity	1,632,288	(11,768)	1,620,520	1,425,215	(3,288)	1,421,927
Retained earnings	576,318	(11,768)	564,550	475,104	(3,288)	471,816

(2) The effect on the consolidated statement of comprehensive income for the year ended December 31, 2017, as a result of the restatement of the consolidated financial statements is as follows.

	December 31, 2017		
	Revised	Revised amount	After revision
Operating profit	134,049	(11,187)	122,862
Commission revenue	1,072,999	(11,187)	1,061,812
Non-operating profit / loss	(780)	-	(780)
Net income before income taxes	133,269	(11,187)	122,082
Income tax expense	(32,055)	2,707	(29,348)
Net income	101,214	(8,480)	92,734
Total comprehensive income	107,322	(8,480)	98,842

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS:

These consolidated financial statements have been approved by the board of directors on February 11, 2019, and will be finalized at the shareholders' meeting on March 26, 2019.

39. EVENTS AFTER THE REPORTING PERIOD:

After the end of the reporting period, Woori Finance Holdings Co., Ltd. was established on January 11, 2019. Accordingly, the Group has been transferred to Woori Finance Holdings Co., Ltd. as a subsidiary.

THE ISSUER

Woori Card Co., Ltd.
50, Jong-ro 1-gil
Jongno-gu, Seoul, Korea

LEGAL ADVISORS

To the Issuer as to matters of Korean law

LAB Partners
8th Floor, VPLEX
501, Teheran-ro, Gangnam-gu,
Seoul, Korea

To the Issuer as to matters of Taiwanese law

Lee and Li, Attorneys-at-Law
8th Floor, No.555, Sec. 4,
Zhongxiao E. Rd.
11072,
Taipei, Taiwan

To the Initial Purchasers as to matters of U.S. law

Simpson Thacher & Bartlett
35th Floor, ICBC Tower
3 Garden Road, Central
Hong Kong, China

INDEPENDENT AUDITORS

Samil PricewaterhouseCoopers
100 Hangang-daero
Yongsan-gu
Seoul, Korea 04386

Deloitte Anjin LLC
9th Floor, One IFC Building
10, Gukjegeumyung-ro,
Yeongdeungpo-gu
Seoul 07326, Korea

Ernst & Young Han Young
Taeyoung Building,
111 Yeouigonwon-ro,
Yeongdeungpo-gu,
Seoul 07241, Korea

SINGAPORE LISTING AGENT

Shook Lin & Bok LLP
1 Robinson Road
#18-00 AIA Tower
Singapore 048542

FISCAL AGENT

Citicorp International Limited
20th Floor, Citi Tower
One Bay East, 83 Hoi Bun Road, Kwun Tong
Kowloon, Hong Kong

REGISTRAR, TRANSFER AGENT AND PAYING AGENT

Citibank, N.A., London Branch
c/o Citibank, N.A.,
Dublin Branch, 1 North Wall Quay
Dublin 1
Ireland

LEAD MANAGER

SG Securities (HK) Limited, Taipei Branch
38 F, No. 68, ZhongXiao East Road Section 5
XinYi District, Taipei 110
Taiwan, R.O.C

JOINT MANAGER

Crédit Agricole Corporate and Investment Bank, Taipei Branch
16/F, Hung Kuo Building, No.167, Dun Hua North Road
Taipei, Taiwan

HSBC Bank (Taiwan) Limited
13, 14F, 333 Keelung Road, Sec. 1
Taipei City 110, Taiwan
ROC

CO-MANAGERS

Capital Securities Corporation
14-3F., No. 156, Sec. 3, Minsheng E. Rd
Taipei 105, Taiwan

Cathay United Bank Co., Ltd.
2F, No.7, SongRen Road
Taipei City 11073 Taiwan
R.O.C.

Fubon Securities Co., Ltd.
4F., No.169, Sec. 4, Ren' ai Rd.
Da' an Dist. Taipei City 10686, Taiwan
R.O.C.

KGI Bank Co., Ltd.
8F, No.125, Sec.5, Nanjing E. Road.
Songshan Dist. Taipei City 10504, Taiwan
R.O.C.

President Securities Corporation
2F., No.8, Dongxing Rd.
Songshan Dist. , Taipei City 105
R.O.C

Taishin International Bank Co., Ltd.
22F., No.118, Sec. 4, Ren-ai Rd.
Da-an District Taipei City 106, Taiwan
R.O.C.

WOORI CARD